Research Markets Today

4 November 2024

Events Round-Up

NZ: Dwelling consents (m/m%), Sep: 2.6 vs. -5.3 prev.

AU: Home loans value (m/m%), Sep: -0.3 vs. 1.0 exp.

CH: Caixin PMI manufacturing, Oct: 50.3 vs. 49.7 exp.

US: Change in nonfarm payrolls (k), Oct: 12 vs. 101 exp.

US: Unemployment rate (%), Oct: 4.1 vs. 4.1 exp.

US: Avg hrly earnings (m/m%), Oct: 0.4 vs. 0.3 exp.

US: Avg hrly earnings (y/y%), Oct: 4.0 vs. 4.0 exp.

US: ISM manufacturing, Oct: 46.5 vs. 47.6 exp.

Good Morning

Global equity markets began the new month on a positive note despite weaker than expect US labour market data. The S&P closed 0.4% higher while stocks in Europe also advanced as investors look ahead to the FOMC and US election this week. Global bond yields whipsawed but ultimately ended higher after dropping immediately following the data. The US dollar was generally stronger against G10 currencies. After markets were closed, OPEC+ announced it plans to delay its December output hike by one month.

US Nonfarm payrolls increased 12K in October, well below the consensus expectation for a 101k gain, with recent weather events a contributing factor. In addition, there were downward revisions totalling 112k for the previous two months. The Bureau of Labor Statistics said the two hurricanes impacted hiring in some industries, but it wasn't possible to quantify the net effect on the change in employment, hours or earnings.

The unemployment rate held at 4.1% and hourly earnings remained firm. This is the last major data point before the FOMC, and while the Federal Reserve will likely attribute some of the weakness in payrolls data to one-off factors, it is consistent with a further rate cut this week. Market pricing is little changed, with 25bp cut largely discounted for the meeting, and a total of 46bp by the end of the year.

The US manufacturing ISM remained in contractionary territory for the seventh consecutive month. The index dipped to 46.5, the lowest level since July 2023, with a drop in the production subindex weighing which is consistent with a downturn in manufacturing output. The ISM noted that election uncertainty is impacting

investment in inventory and capital expenditure. The prices paid subindex increased to a five-month high.

US treasuries were volatile with a large intra-day swing. Yields dropped immediately after the payrolls data – 2-year traded from 4.21% to a low of 4.06% - before reversing course to end the session at 4.21%. 10-year yields closed 10bp higher at 4.38%, a new high for the move that began in September. The market remains cautious ahead of the election with implied volatility at the highest level in more than twelve months. There is 3, 10 and 30-year treasury supply to absorb this week.

The post-Budget selloff in UK gilts, which pushed 10-year yields to the highest level in a year, has abated. Chancellor Rachel Reeves said that economic and fiscal stability is her 'number one commitment'. Gilt yields reached an intraweek high of 4.53%, up from 4.20% ahead of the Budget, before closing at 4.44%. 10-year bunds closed 2bp higher at 2.40%.

US dollar price action aligned closely with treasuries. An initial dip reversed, and the dollar index closed 0.3% higher. The pound performed and was the only G10 currency that gained against the US dollar, as UK markets calmed after the Budget volatility. The Swiss franc was relatively weak after inflation slowed unexpectedly. The CFTC reported speculative accounts have continued to accumulate long US dollar positions.

NZD/USD spiked towards 0.6000 but subsequently retraced to end the offshore session marginally weaker. The NZD was broadly stable on the major cross rates except for NZD/GBP which traded down towards 0.4610.

It was a relatively quiet session for NZ fixed income in the local session on Friday. 2-year swap rates closed 3bp higher at 3.68% while 10-year rates increased 1bp to 4.17%. NZ continued to outperform on a cross-market basis. The 10-year government bond spread against Australia fell to -8bp, as ACGB yields increased to the highest level since last November. A negative cross-market spread is a relatively rare occurrence, the last time being during the pandemic, when the RBNZ was considered the possibility of a negative policy rate. 10-year NZGBs closed at 4.47%.

Australian 10-year government bond futures are 7bp higher in yield terms since the local close on Friday, and

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combined with the mover in US treasuries suggests an upward bias for NZ yields on the open.

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There is no domestic or international economic data of note today. However, it is event laden week ahead with NZ Q3 labour market data, central bank meetings in Australia, the US and the UK in addition to the US election, which could be impactful for markets.

Currenci	es							Equities				Commoditie	S	
FX Majors	Indicative overnight ranges (*)			Other FX			Major Indices			Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day
NZD	0.5963	-0.2	0.5959	0.5999	CHF	0.8700	+0.7	S&P 500	5,729	+0.4	31.4	Oil (Brent)	73.10	+0.4
AUD	0.6560	-0.3	0.6554	0.6591	SEK	10.747	+0.9	Dow	42,052	+0.7	23.5	Oil (WTI)	69.49	+0.3
EUR	1.0835	-0.5	1.0834	1.0905	NOK	11.064	+0.6	Nasdaq	18,240	+0.8	35.3	Gold	2749.2	-0.0
GBP	1.2920	+0.2	1.2888	1.2980	HKD	7.777	+0.0	Stoxx 50	4,878	+1.0	16.8	HRC steel	714.0	-0.1
JPY	152.98	+0.6	151.80	153.07	CNY	7.128	+0.1	FTSE	8,177	+0.8	10.2	CRB	279.4	-0.2
CAD	1.3954	+0.1			SGD	1.326	+0.5	DAX	19,255	+0.9	26.8	Wheat Chic.	587.8	-0.4
NZD/AUD	0.9091	+0.1			IDR	15,732	+0.2	CAC 40	7,409	+0.8	5.1	Sugar	22.07	-2.9
NZD/EUR	0.5504	+0.2			THB	33.97	+0.5	Nikkei	38,054	-2.6	19.1	Cotton	70.17	+0.9
NZD/GBP	0.4615	-0.5			KRW	1,378	+0.1	Shanghai	3,272	-0.2	8.0	Coffee	243.0	-1.2
NZD/JPY	91.22	+0.4			TWD	31.93	-0.3	ASX 200	8,119	-0.5	16.3	WM powder	3665	+0.5
NZD/CAD	0.8320	-0.1			PHP	58.41	+0.5	NZX 50	12,559	-0.6	13.0	Australian Fu	tures	
NZ TW I	69.66	-0.0						VIX Index	21.88	-5.5	+46.7	3 year bond	95.96	-0.03
Interest F	Rates							-				10 year bond	95.37	-0.08
Rates		Swap Yields			Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields				
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day			Last	Chg		Last	Chg
USD	5.00	4.85	3.98	3.87	USD	4.38	0.10	15-May-26		3.82	0.00	BKBM 1-mth	4.81	-0.05
AUD	4.35	4.41	4.08	4.60	AUD	4.54	0.03	15-Apr-27		3.78	0.00	BKBM 3-mth	4.51	-0.01
NZD	4.75	4.51	3.68	4.17	NZD	4.47	-0.01	15-May-28		3.84	-0.01	1 year	3.94	0.02
EUR	3.25	3.06	2.39	2.43	GER	2.41	0.02	20-Apr-29		3.96	-0.00	2 year	3.68	0.03
GBP	5.00	5.30	4.25	4.02	GBP	4.45	-0.00	15-May-30		4.09	-0.00	3 year	3.65	0.03
JPY	0.23	-0.03	0.53	0.95	JPY	0.95	-0.00	15-May-31		4.21	0.00	5 year	3.79	0.02
CAD	3.75	4.97	2.98	3.12	CAD	3.29	0.07	15-May-32		4.32	-0.00	7 year	3.97	0.01
								14-Apr-33		4.40	-0.00	10 year	4.17	0.01
								15-May-34		4.47	-0.01	15 year	4.41	0.01
								15-May-35		4.55	-0.00			
					NZ Infla	tion-Inde	exed Bonds	15-May-36		4.64	0.00			
* These are indicative ranges from 5pm NZT; Sep-30 2.39 -0.01				15-May-37		4.71	0.00							
please confirm rates with your BNZ dealer Sep-35 2.71 -0.01				15-May-41		4.88	0.00							
Rates at NY close Sep-40 2.95 -0.01				15-May-51		4.99	0.00							
Source: Bloomberg					15-May-54		5.01	0.00						

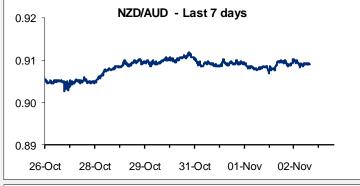
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NZD exchange rates							
2/11/2024	NY close	Prev. NY close					
USD	0.5963	0.5977					
GBP	0.4615	0.4634					
AUD	0.9091	0.9081					
EUR	0.5504	0.5492					
JPY	91.22	90.87					
CAD	0.8320	0.8328					
CHF	0.5188	0.5165					
DKK	4.1052	4.0962					
FJD	1.3500	1.3615					
HKD	4.6375	4.6462					
INR	50.14	50.26					
NOK	6.5977	6.5748					
PKR	165.55	165.95					
PHP	34.65	34.81					
PGK	2.3541	2.3587					
SEK	6.4085	6.3644					
SGD	0.7908	0.7888					
CNY	4.2510	4.2544					
THB	20.22	20.17					
TOP	1.3887	1.4054					
VUV	71.82	72.48					
WST	1.6474	1.6554					
XPF	65.73	65.97					
ZAR	10.5276	10.5213					

0.61 0.60 0.59 26-Oct 28-Oct 30-Oct 31-Oct 01-Nov 02-Nov NZD/AUD - Last 7 days 0.92

NZD/USD - Last 7 days







NZD/USD Forward Points

122,002 101114.4.1 01110							
	BNZ buys NZD	BNZ sells NZD					
1 Month	0.79	1.24					
3 Months	4.90	6.30					
6 Months	12.92	13.92					
9 Months	18.64	26.32					
1 Year	29.21	32.21					

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-1.57	-0.59
3 Months	1.47	4.38
6 Months	14.20	16.72
9 Months	26.86	39.96
1 Year	46.79	55.29



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