

Research Markets Today

5 November 2024

Events Round-Up

Nothing of note

Good Morning

The week has kicked off with a reversal of the Trump trade as investors pared bets on him winning the presidential race. The USD is broadly lower and US rates are lower across the curve led by the long end. The NZD managed to temporarily rise above 0.60, but has settled at 0.5980 this morning, up 0.3% from last week's close. Oil prices are up on OPEC+'s delay to increase supply and talk of Iran aggressively retaliating against Israel.

As markets opened for the new week they reacted to a shock weekend poll result in Iowa – published by an independent credible pollster – that gave Harris a 3-point lead over Trump in the State. Iowa isn't considered a swing state, as it has swung aggressively to the right in recent elections, delivering Trump solid victories in 2016 and 2020. A late swing to Harris was also evident in other weekend polls.

Prediction markets showed plummeting odds of a Trump victory, building on the momentum seen from mid last week. PredictIt betting odds now show Harris and Trump with equal probabilities of winning, while Polymarket and Kalshi still show odds that favour Trump to win. Political polling in key swing states remains within the margin of error, leaving the race finely balanced.

US Treasury futures opened with a fall in yields and that move has been sustained. The 10-year rate has traded an overnight range of 4.26%-4.31% and is currently 4.30%, down 8bps since last week's close. The fall in yields has been led by the long end, resulting in some curve flattening, with the 2-year rate down 3bps to 4.18%. Euro area 10-year rates are down 1-3bps.

The USD opened broadly weaker and has sustained a modest loss through the trading session. The JPY has outperformed against a backdrop of lower Treasury yields. For currencies most exposed to a Trump victory the yuan is 0.4% stronger, with USD/CNY falling to 7.10 and Mexico's peso is up 1%. The AUD has slightly outperformed the NZD, seeing NZD/AUD nudge down to 0.9070. The NZD managed to rise above 0.60 yesterday, peaking at 0.6015 late yesterday afternoon, but in overnight trading it has

slipped to 0.5980, up just 0.3% from last week's close. The AUD pushed up through 0.66 but is back down to 0.6590.

The impact of the UK Budget is still evident, with UK rates slightly higher against a fall in global rates while GBP has underperformed, up just 0.2% to 1.2955. EUR is up 0.5% to 1.0885.

US equities are weaker, with the S&P500 currently down 0.2% in early afternoon trading, led by falls in utilities and financial sectors. Energy has outperformed on the back of a 2½-3% lift in oil prices. OPEC+ agreed to push back its planned December production increase by one month while Iran stepped up its war rhetoric, with supreme leader Khamenei warning of a "crushing response" to Israel's recent strike. The WSJ reported that Iran is "planning a complex response involving even more powerful warheads and other weapons". The response would come after the US elections but before a new president is inaugurated in January. Brent crude is currently trading just over USD75 per barrel.

The domestic rates market had a quiet day. Timing of the local close on Friday, meant that it wasn't exposed to the ramp up in Treasury yields on Friday night or their subsequent retracement. There was little change in NZGB yields on the day, with the 10-year rate up 1bp at 4.47%, with ultra long bonds up 2bps as the DMO will tender the 2054 bond later this week, a rare event since their syndication. NZ swap rates fell 1-2bps across the curve.

In the day ahead the RBNZ releases its six-monthly Financial Stability Report. The RBA is unanimously expected to keep the cash rate at 4.35%. The key economic release will be the US ISM services index tonight, where the market expects a modest fall to 53.8 but remaining at a robust level.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ	RBNZ publishes Financial Stability Report			09:00
CH	Caixin PMI services	Oct	50.5	50.3 14:45
AU	RBA cash rate target (%)	Nov	4.35	4.35 16:30
US	Trade balance (USD\$b)	Sep	-84.1	-70.4 02:30
US	ISM services index	Oct	53.8	54.9 04:00

Source: Bloomberg, BNZ

NZD exchange rates

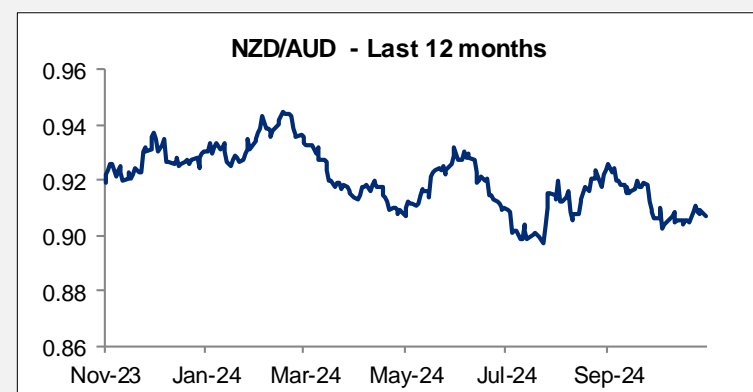
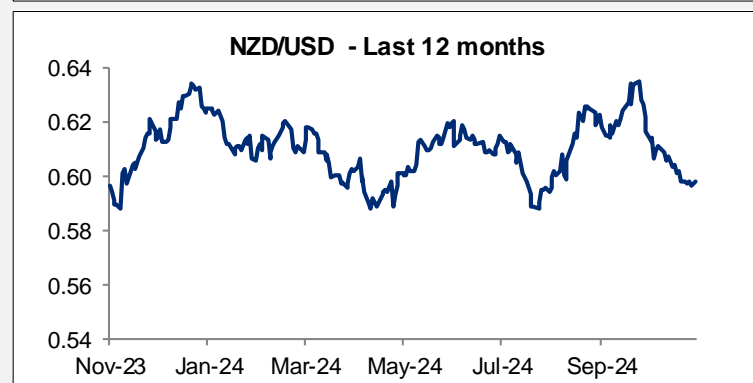
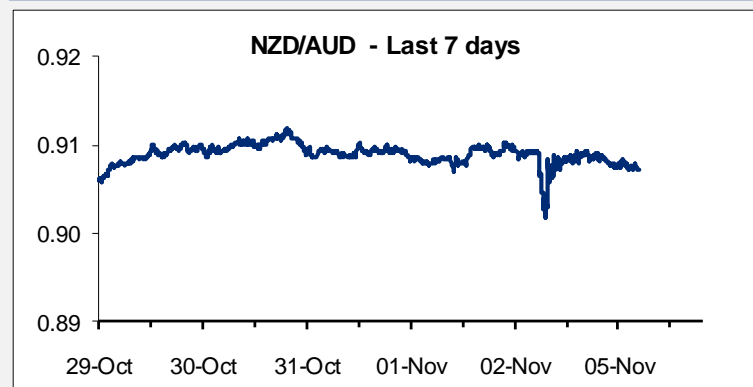
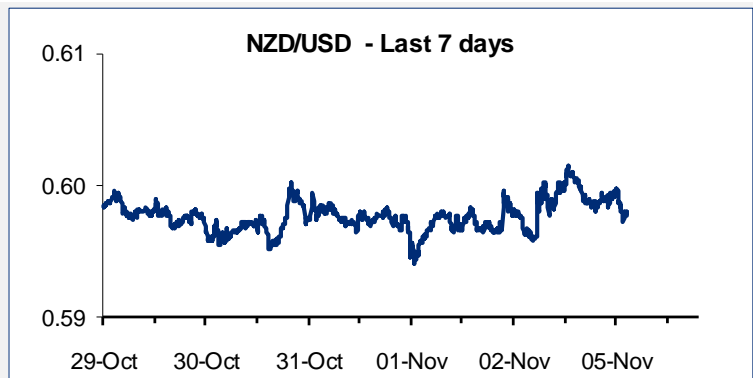
5/11/2024	6:58 am	Prev. NY close
USD	0.5980	0.5963
GBP	0.4616	0.4614
AUD	0.9073	0.9091
EUR	0.5493	0.5504
JPY	90.92	91.24
CAD	0.8307	0.8318
CHF	0.5162	0.5188
DKK	4.0966	4.1052
FJD	1.3450	1.3500
HKD	4.6481	4.6375
INR	50.30	50.14
NOK	6.5726	6.5977
PKR	166.02	165.56
PHP	34.89	34.65
PGK	2.3442	2.3541
SEK	6.4030	6.4085
SGD	0.7886	0.7908
CNY	4.2466	4.2510
THB	20.16	20.22
TOP	1.3779	1.3887
VUV	72.28	71.82
WST	1.6159	1.6474
XPF	65.41	65.73
ZAR	10.4811	10.5276

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.85	1.27
3 Months	5.29	5.90
6 Months	12.70	13.76
9 Months	20.63	23.46
1 Year	28.54	31.54

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-1.35	-0.47
3 Months	2.05	3.52
6 Months	13.95	16.54
9 Months	29.85	35.67
1 Year	46.57	53.93



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