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. Predictlt 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 Stabili	ity Report			09:00
СН	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 (USDb)	Sep	-84.1	-70.4	02:30
US	ISM services index	Oct	53.8	54.9	04:00

Source: Bloomberg, BNZ

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Currenc	ies							Equities				Commodities	S	
FX Majors	TX 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	0.5980	+0.3	0.5973	0.6006	CHF	0.8632	-0.8	S&P 500	5,719	-0.2	31.2	Oil (Brent)	75.11	+2.8
AUD	0.6591	+0.5	0.6580	0.6612	SEK	10.707	-0.4	Dow	41,875	-0.4	22.9	Oil (WTI)	71.54	+3.0
EUR	1.0887	+0.5	1.0880	1.0915	NOK	10.991	-0.7	Nasdaq	18,232	-0.0	35.3	Gold	2744.7	-0.2
GBP	1.2955	+0.2	1.2934	1.2996	HKD	7.773	-0.1	Stoxx 50	4,852	-0.5	16.2	HRC steel	707.0	-1.0
JPY	152.04	-0.6	151.54	152.28	CNY	7.100	-0.4	FTSE	8,184	+0.1	10.3	CRB	279.4	-0.2
CAD	1.3891	-0.4			SGD	1.319	-0.6	DAX	19,148	-0.6	26.1	Wheat Chic.	586.8	-0.2
NZD/AUD	0.9073	-0.2			IDR	15,753	+0.1	CAC 40	7,372	-0.5	4.6	Sugar	21.93	-0.6
NZD/EUR	0.5493	-0.2			THB	33.73	-0.7	Nikkei	38,054	-2.6	19.1	Cotton	69.82	-0.5
NZD/GBP	0.4616	+0.0			KRW	1,375	-0.2	Shanghai	3,310	+1.2	9.2	Coffee	246.2	+1.3
NZD/JPY	90.92	-0.4			TWD	31.91	-0.1	ASX 200	8,165	+0.6	17.0	WM powder	3645	-0.5
NZD/CAD	0.8307	-0.1			PHP	58.36	-0.1	NZX 50	12,591	+0.2	13.2	Australian Fu	tures	
NZ TWI	69.61	-0.1						VIX Index	22.26	+1.7	+49.3	3 year bond	95.96	0.00
Interest I	Rates											10 year bond	95.41	0.03
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	3.95	3.80	USD	4.31	-0.08	15-May-26		3.82	0.00	BKBM 1-mth	4.77	-0.04
AUD	4.35	4.42	4.07	4.57	AUD	4.56	0.02	15-Apr-27		3.78	-0.00	BKBM 3-mth	4.48	-0.03
NZD	4.75	4.48	3.66	4.15	NZD	4.47	0.01	15-May-28		3.84	-0.00	1 year	3.92	-0.01
EUR	3.25	3.09	2.42	2.43	GER	2.40	-0.01	20-Apr-29		3.96	0.00	2 year	3.66	-0.02
GBP	5.00	5.30	4.27	4.03	GBP	4.46	0.01	15-May-30		4.09	0.00	3 year	3.63	-0.02
JPY	0.23	-0.03	0.53	0.94	JPY	0.95	0.00	15-May-31		4.22	0.01	5 year	3.77	-0.02
CAD	3.75	4.97	2.98	3.09	CAD	3.25	-0.04	15-May-32		4.33	0.01	7 year	3.95	-0.02
								14-Apr-33		4.41	0.00	10 year	4.15	-0.01
								15-May-34		4.47	0.01	15 year	4.40	-0.01
								15-May-35		4.56	0.01			
					NZ Infla	tion-Inde	exed Bonds	15-May-36		4.64	0.01			
* These are indicative ranges from 5pm NZT; Sep-30 2.33 -0.06			15-May-37		4.72	0.01								
please confirm rates with your BNZ dealer Sep-35 2.65 -0.06			15-May-41		4.89	0.01								
Rates are as of: NZT 06:58 Sep-40 2.90 -0.05				15-May-51		5.00	0.02							
Source: Bloc	Source: Bloomberg					15-May-54		5.03	0.02					

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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					

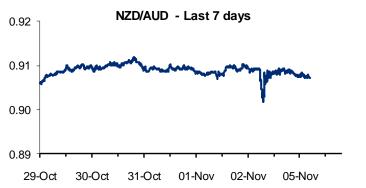
NZD/USD Forward Points

	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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