

# Research Markets Today

6 November 2024

## Events Round-Up

CH: Caixin PMI services, Oct: 52.0 vs. 50.3 prev.  
 AU: RBA cash rate target (%), Nov: 4.35 vs. 4.35 exp.  
 US: Trade balance (USDbn), Sep: -84.4 vs. -84.0 exp.  
 US: ISM services index, Oct: 56.0 vs. 53.8 exp.

## Good Morning

As Americans head to the polls, market pricing has been consistent with “risk-on”, with stronger US equities, higher rates and a broadly weaker USD. The NZD and AUD have outperformed, more so the latter, following an RBA update that gave a reality check of inflation still being too high to warrant following the path of other central banks in easing monetary policy. The NZD is hovering around 0.60.

Whichever candidate wins the US presidential race inherits a robust US economy and strong equity market. The last key data print on election day continued the recent run of stronger than expected US economic data, with last Friday’s non-farm payrolls print being a rare exception to the rule over the past month or so.

The ISM services index unexpectedly rose 1.1 pts to 56.0 in October, its highest level since July 2022, while the employment component rose nearly 5pts to 53.0. At face value the data suggest accelerating growth in the US economy, at a well above-trend rate, but the reality is that the index has been a poor predictor of the real economy of late. The index has recently played catch-up to the services PMI index, considered inferior because of its smaller sample and less sectoral coverage but recently proving to be a better indicator.

Despite its flaws, optically the services ISM index adds to the cache of data recently released supporting a narrative that the US economy is growing quite nicely. US Treasury yields were already higher heading into the release and jumped higher after, with an eye on the 10-year auction as we go to print. Rates are up about 6bps across the curve, with the 10-year rate trading as high as 4.36%, currently 4.34%. The strong data won’t get in the way of another rate cut by the Fed at the end of the week – 25bps almost fully priced – but does raise a question mark over whether another rate cut next month is warranted (also currently well priced at -19bps) and the path of easing for 2025.

US equities opened strongly and climbed further after the data release. Strong gains have been led by the technology sector in the wake of Palantir Technologies’ stronger result after the bell yesterday, citing high demand for its AI software. In early afternoon trading the S&P500 is up over 1% and the Nasdaq index is up 1½%. Of note, on presidential election days, the S&P500 has risen nine of the last 11 times, with a median return of 0.8%.

Interestingly, while the Treasuries and equity market reactions to the stronger ISM service report has been sustained, the impact on the USD proved fleeting, and losses heading into the report have now extended, with the DXY index down 0.5% overnight.

The AUD has been the strongest performer overnight and the past 24 hours, showing a fairly steady rise to 0.6640. In addition to its support from higher risk appetite, the RBA update didn’t budge from its mildly hawkish bias, repeating the message of its previous statement – that it needs to remain vigilant to upside risks to inflation and the Board is not ruling anything in or out. Updated inflation projections continue to suggest that it will be some time yet before inflation is sustainably in the target range. Furthermore, the Statement noted that policy restrictiveness in Australia remained less compared to peers “despite many other central banks cutting rates multiple times”, hinting that the scope for the RBA to cut rates compared to others was lower, as rates were never hiked to the same extent.

The NZD has also been supported by higher risk appetite, trading a little over 0.60 overnight and currently near that figure. NZD/AUD has nudged down to 0.9045. With all major currencies making gains against the USD, other NZD crosses don’t show too much movement.

The overnight GDT dairy auction was a strong one, with the price index up 4.8%, with gains of 4.0% and 4.4% respectively for skim milk and whole milk powder. Cheddar also rose 4% and butter was up 8.3%. The combination of a soft NZD and strong pricing supports dairy farmer incomes for the year(s) ahead. Milk price futures for the 24/25 season closed at a fresh high of \$9.55 yesterday and for the following season sits at \$9.

The domestic rates market was quiet yesterday, with NZGB yields down 1bp across the curve and swap rates plus or minus just 1bp. Since the NZ close, the Australian 3 and 10-year bond futures are up about 3bps in yield terms.

In the day ahead the focus will be the US election, with the first polls closing from noon NZ time. In terms of the battleground states, Nevada is the last to close at 4pm. Realistically, the earliest time that media will call the presidential election winner will probably be after 5pm NZ time. Polls continue to suggest that the race is too close to call. If the race is very close, the result might not be known for days. Expect some whippy trading conditions this afternoon as results are released.

Domestically, the focus will be on the labour market surveys. The consensus sees a 0.4% q/q fall in employment in Q3 and lower participation rate leading to the unemployment rate rising to a four-year high of 5.0%, in line with the RBNZ's August MPS projections. An outcome

in line with consensus will cement in views of another 50bps rate cut later this month.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

### Coming Up

		Period	Cons.	Prev.	NZT
NZ	LCI Pvt wages x overtime (q/q%)	Q3	0.7	0.9	10:45
NZ	Unemployment rate (%)	Q3	5.0	4.6	10:45
NZ	Employment (q/q%)	Q3	-0.4	0.4	10:45
NZ	QES avg hourly earnings (q/q%)	Q3		1.1	10:45
GE	Factory orders (m/m%)	Sep	1.5	-5.8	20:00

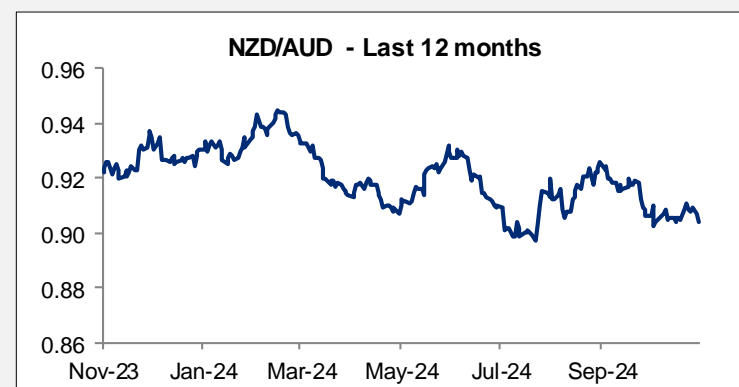
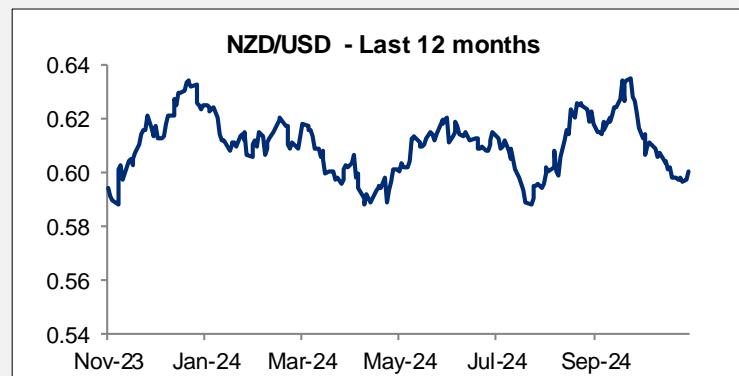
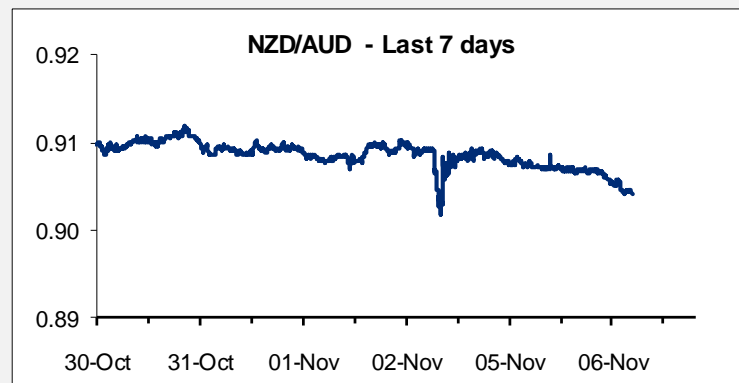
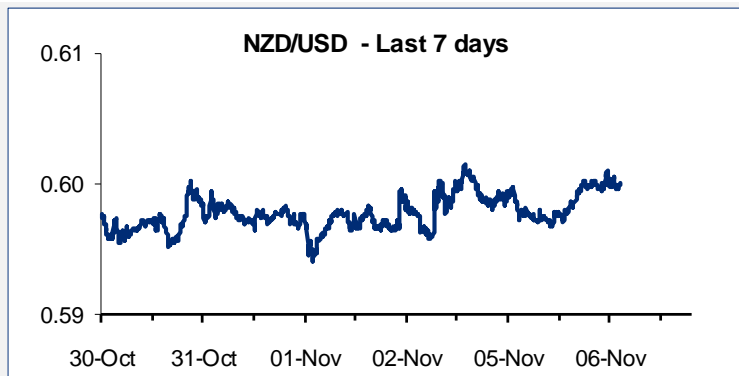
Source: Bloomberg, BNZ

Currencies							Equities				Commodities					
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day			Last	Net Day					
NZD	0.6000	+0.4	0.5981	0.6011	CHF	0.8629	-0.1			S&P 500	5,777	+1.1	32.5	Oil (Brent)	75.60	+0.6
AUD	0.6635	+0.8	0.6596	0.6642	SEK	10.706	-0.2			Dow	42,253	+1.1	24.1	Oil (WTI)	72.03	+0.8
EUR	1.0930	+0.5	1.0877	1.0930	NOK	10.958	-0.4			Nasdaq	18,437	+1.4	36.8	Gold	2752.1	+0.2
GBP	1.3034	+0.6	1.2958	1.3035	HKD	7.771	-0.0			Stoxx 50	4,870	+0.4	16.7	HRC steel	705.0	+0.4
JPY	151.69	-0.3	151.60	152.45	CNY	7.104	+0.0			FTSE	8,172	-0.1	10.2	CRB	282.8	+1.2
CAD	1.3846	-0.4			SGD	1.315	-0.4			DAX	19,256	+0.6	26.8	Wheat Chic.	590.5	+0.5
NZD/AUD	0.9043	-0.3			IDR	15,749	-0.0			CAC 40	7,407	+0.5	5.1	Sugar	21.93	-0.0
NZD/EUR	0.5489	-0.0			THB	33.61	-0.4			Nikkei	38,475	+1.1	17.6	Cotton	69.97	+0.0
NZD/GBP	0.4603	-0.2			KRW	1,381	+0.4			Shanghai	3,387	+2.3	10.7	Coffee	250.4	+2.2
NZD/JPY	91.01	+0.2			TWD	31.96	+0.2			ASX 200	8,132	-0.4	16.2	WM powder	3615	-0.8
NZD/CAD	0.8308	+0.0			PHP	58.32	-0.1			NZX 50	12,658	+0.5	12.4	<b>Australian Futures</b>		
NZ TWI	69.70	+0.2							VIX Index	20.27	-7.8	+35.9	3 year bond	95.92	-0.04	
<b>Interest Rates</b>											10 year bond			95.39	-0.01	
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	4.00	3.83	USD	4.35	0.06	15-May-26	3.81	-0.01	BKBM 1-mth	4.75	-0.02			
AUD	4.35	4.41	4.12	4.61	AUD	4.56	0.00	15-Apr-27	3.77	-0.01	BKBM 3-mth	4.47	-0.01			
NZD	4.75	4.47	3.67	4.15	NZD	4.46	-0.01	15-May-28	3.83	-0.01	1 year	3.92	-0.01			
EUR	3.25	3.08	2.46	2.47	GER	2.43	0.03	20-Apr-29	3.95	-0.01	2 year	3.67	0.01			
GBP	5.00	5.30	4.33	4.07	GBP	4.53	0.07	15-May-30	4.08	-0.01	3 year	3.64	0.01			
JPY	0.23	-0.03	0.51	0.93	JPY	0.94	-0.01	15-May-31	4.21	-0.01	5 year	3.77	0.00			
CAD	3.75	4.97	3.02	3.12	CAD	3.28	0.04	15-May-32	4.31	-0.01	7 year	3.95	-0.00			
							<b>NZ Inflation-Indexed Bonds</b>		14-Apr-33	4.40	-0.01	10 year	4.15	-0.01		
							Sep-30	2.37	0.04	15-May-34	4.46	-0.01	15 year	4.39	-0.01	
							Sep-35	2.71	0.06	15-May-35	4.55	-0.01				
							Sep-40	2.95	0.06	15-May-36	4.63	-0.01				
									15-May-37	4.70	-0.02					
									15-May-41	4.88	-0.01					
									15-May-51	4.99	-0.01					
									15-May-54	5.02	-0.01					

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 06:58  
 Source: Bloomberg

**NZD exchange rates**

6/11/2024	6:59 am	Prev. NY close
USD	0.6000	0.5973
GBP	0.4603	0.4610
AUD	0.9043	0.9071
EUR	0.5489	0.5491
JPY	91.01	90.87
CAD	0.8308	0.8304
CHF	0.5177	0.5161
DKK	4.0944	4.0950
FJD	1.3569	1.3563
HKD	4.6628	4.6423
INR	50.47	50.24
NOK	6.5746	6.5728
PKR	166.71	165.84
PHP	35.00	34.85
PGK	2.3706	2.3506
SEK	6.4234	6.4049
SGD	0.7889	0.7883
CNY	4.2625	4.2414
THB	20.16	20.14
TOP	1.3921	1.3801
VUV	72.65	72.19
WST	1.6413	1.6140
XPF	65.75	65.37
ZAR	10.4271	10.4707



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.07	1.43
3 Months	5.39	5.94
6 Months	13.24	14.64
9 Months	21.92	24.78
1 Year	31.03	34.03

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.91	-0.18
3 Months	2.82	4.33
6 Months	15.38	18.53
9 Months	32.35	38.80
1 Year	50.91	59.14

# Contact Details

## BNZ Research

**Stephen Toplis**  
Head of Research

**Doug Steel**  
Senior Economist

**Jason Wong**  
Senior Markets Strategist

**Stuart Ritson**  
Senior Interest Rate Strategist

**Matt Brunt**  
Economist

**Mike Jones**  
BNZ Chief Economist  
+64 9-956 0795

## Main Offices

**Wellington**  
Level 4, Spark Central  
42-52 Willis Street  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**  
80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**  
111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.