

# Research Markets Today

8 November 2024

## Events Round-Up

JP: Full-time pay -same base (y/y%), Sep: 2.9 vs. 2.9 exp.  
 AU: Trade balance (\$b), Sep: 4.6 vs. 5.3 exp.  
 CH: Exports (USD, y/y%), Oct: 12.7 vs. 5.0 exp.  
 CH: Imports (USD, y/y%), Oct: -2.3 vs. -2.0 exp.  
 GE: Industrial production(m/m%), Sep: -2.5 vs. -1.0 exp.  
 UK: Bank of England bank rate (%), Nov: 4.75 vs. 4.75 exp.  
 US: Nonfarm productiv. (ann. q/q%), Q3: 2.2 vs. 2.5 exp.  
 US: Initial jobless claims (k), wk to 2 Nov: 221 vs. 222 exp.

## Good Morning

Ahead of the Fed's policy announcement soon after we go to print, there has been some reversal of the Trump trade in currency and bond markets, while US equities have continued to power ahead. The USD is broadly weaker, seeing the NZD push up through 0.60. US Treasury yields are lower, and the curve is flatter. The BoE delivered a 25bps rate cut, as expected, with guidance of further gradual rate cuts.

After the strong market reaction to Trump's victory, there has been a partial reversal in some markets, although not evident in US equities. Following the strongest ever gain for the S&P500 in the day after a presidential election (up 2½%), the index is currently up another 0.7% to a fresh record high. Gains for the Nasdaq index have been even stronger, up another 1.4% following yesterday's nearly 3% gain. The Russell 2000 index is flat after its nearly 6% gain yesterday. Equities are loving the prospect of lower taxes and deregulation under the new government.

US Treasury yields are lower and the curve is flatter. For the day the 2-year rate is down 6bps, while the 10-year rate is down 9bps to 4.34%. The Fed policy announcement comes out at 8am NZ time which could change all this, but a 25bps cut to the Fed Funds rate is fully priced. Chair Powell will attempt to remain apolitical in the face of questions fired at him about the policy outlook under Trump 2.0. The door will likely be left open to further easing, dependent on the data.

The USD is broadly weaker, with the DXY index down 0.7% after its chunky 1.6% post-victory gain. The NZD traded stronger yesterday afternoon with further overnight gains, getting up towards 0.6040 before retracing. The AUD has

been even stronger, up over 1½% from this time yesterday to 0.6675, seeing NZD/AUD push down to 0.9025.

Other NZD crosses are stronger since this time yesterday, with the NZD making stronger gains against the USD than other majors. JPY has been supported by the backdrop of lower US Treasury yields. The euro was unaffected by the collapse of Germany's government and Chancellor Scholz calling an early election. GBP was broadly unaffected by the BoE rate cut, performing in line with the stronger euro overnight.

The BoE cut its policy rate by 25bps to 4.75% as expected, the second rate cut this cycle. The vote was 8-1, with prevailing hawk Mann voting to keep rates unchanged. The effect of the UK Budget was said to boost the level of GDP by ¾% at its peak in a year's time and CPI inflation by just under ½%. Inflation now isn't expected to fall below 2% until Q2 2027, a year later than previously thought, although that is based on recent market pricing that had built in an extra 25bps cut.

BoE Governor Bailey noted that the Bank "can't cut interest rates too quickly or by too much" but based on its forecasts "it's likely that interest rates will continue to fall gradually from here". This was a more hawkish tone compared to his "more activist" policy comment a month ago, albeit consistent with market pricing of only about two cuts through to the middle of next year.

In economic news, US productivity rose at an annualised pace of 2.2% in Q3, slightly weaker than expected, alongside downward revisions to historical data. This meant unit labour costs were running stronger than previously reported, although the annualised figure of 1.9% for Q3 was still in line with inflation running close to 2%. Initial jobless claims rose 3k to 221k last week, with further evidence of a return to normal after recent strike and hurricane noise in the data.

China export data was much stronger than expected, up 12.7% y/y in October and boosting its trade surplus as imports remained weak, falling 2.3% y/y. There will be increasing focus on China trade figures, with Trump's policy of raising tariffs to punishing levels. Ahead of their imposition, which could be phased in from around the middle of next year, there is likely to be some front-loading of Chinese imports into the US and China will also be looking to expand its export markets.

Yesterday, we finally saw some cross market underperformance for the NZ rates market. There was payside pressure in the swaps market, led by the belly of the curve, with the 5-year rate up 8bps to 3.98%. The 2 and 10-year swap rates were up 5-6bps. These movements spilled over into the bond market, with rates up 4-6bps across the curve. We should see some reversal today. Since the NZ close the Australian 10-year bond future is down 6bps in yield terms, although the Fed announcement still has to be navigated.

In the day ahead, in addition to the Fed meeting shortly, tonight sees the release of Canadian employment and the University of Michigan consumer survey. In China, the 5-day meeting of the National People’s Congress Standing Committee China ends today, following which we expect to see some more concrete announcement on the extent

of fiscal policy stimulus ahead. China also releases inflation data on Saturday.

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### Coming Up

	Period	Cons.	Prev.	NZT
US Fed Funds rate (upper bound)		4.75	5.0	08:00
CA Unemployment rate (%)	Oct	6.6	6.5	02:30
US U. of Mich. cons. sentiment	Nov	71.0	70.5	04:00
US U. of Mich. 5-10y inflation	Nov	3.0	3.0	04:00
CH PPI (y/y%)	Oct	-2.5	-2.8	14:30
CH CPI (y/y%)	Oct	0.4	0.4	14:30

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	% Day	% Year	Last	Net Day			
NZD	0.6023	+1.4	0.5981	0.6038	CHF	0.8724	-0.5	S&P 500	5,970	+0.7	36.4	Oil (Brent)	75.70	+1.0
AUD	0.6674	+1.6	0.6617	0.6688	SEK	10.703	-1.4	Dow	43,788	+0.1	28.2	Oil (WTI)	72.42	+1.0
EUR	1.0802	+0.7	1.0741	1.0825	NOK	10.852	-2.0	Nasdaq	19,249	+1.4	41.1	Gold	2706.4	+1.1
GBP	1.2988	+0.8	1.2899	1.3009	HKD	7.772	-0.1	Stoxx 50	4,852	+1.1	16.8	HRC steel	707.0	+1.3
JPY	153.03	-1.0	152.86	154.20	CNY	7.142	-0.5	FTSE	8,141	-0.3	9.9	CRB	281.4	-0.8
CAD	1.3856	-0.6			SGD	1.321	-0.9	DAX	19,363	+1.7	27.8	Wheat Chic.	588.0	-0.5
NZD/AUD	0.9025	-0.2			IDR	15,740	-0.6	CAC 40	7,426	+0.8	6.3	Sugar	22.28	+1.1
NZD/EUR	0.5576	+0.7			THB	34.03	-0.9	Nikkei	39,381	-0.3	22.4	Cotton	70.84	+1.6
NZD/GBP	0.4637	+0.6			KRW	1,385	-1.1	Shanghai	3,471	+2.6	13.7	Coffee	259.8	+4.2
NZD/JPY	92.17	+0.4			TWD	32.25	+0.2	ASX 200	8,226	+0.3	17.6	WM powder	3725	+1.9
NZD/CAD	0.8345	+0.8			PHP	58.73	+0.1	NZX 50	12,581	-0.5	12.8	<b>Australian Futures</b>		
NZ TWI	70.21	+0.7						VIX Index	15.14	-6.9	+2.2	3 year bond	95.87	0.00
<b>Interest Rates</b>						<b>NZ Government Bonds</b>				<b>NZ BKBM and Swap Yields</b>				
<b>Rates</b>		<b>Swap Yields</b>			<b>Benchmark 10 Yr Bonds</b>		<b>Last</b>		<b>Chg</b>	<b>Last</b>		<b>Chg</b>		
	Cash	3Mth	2 Yr	10 Yr	USD	Last	Net Day							
USD	5.00	4.85	4.01	3.86	USD	4.35	-0.09	15-May-26	3.98	0.06	BKBM 1-mth	4.69	-0.03	
AUD	4.35	4.42	4.10	4.59	AUD	4.64	0.01	15-Apr-27	3.94	0.06	BKBM 3-mth	4.48	0.02	
NZD	4.75	4.48	3.86	4.33	NZD	4.63	0.05	15-May-28	4.00	0.06	1 year	4.01	0.03	
EUR	3.25	3.05	2.32	2.41	GER	2.45	0.04	20-Apr-29	4.12	0.05	2 year	3.86	0.06	
GBP	4.75	5.30	4.24	4.01	GBP	4.50	-0.07	15-May-30	4.25	0.05	3 year	3.84	0.07	
JPY	0.23	-0.03	0.57	0.98	JPY	1.01	0.03	15-May-31	4.38	0.05	5 year	3.98	0.08	
CAD	3.75	4.97	2.98	3.09	CAD	3.25	-0.07	15-May-32	4.48	0.05	7 year	4.14	0.06	
						<b>NZ Inflation-Indexed Bonds</b>		14-Apr-33	4.56	0.05	10 year	4.33	0.05	
						Sep-30	2.43	0.04	15-May-34	4.63	0.05	15 year	4.56	0.04
						Sep-35	2.76	0.04	15-May-35	4.71	0.04			
						Sep-40	3.01	0.04	15-May-36	4.80	0.05			
									15-May-37	4.86	0.04			
									15-May-41	5.05	0.05			
									15-May-51	5.16	0.04			
									15-May-54	5.19	0.04			

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:46

Source: Bloomberg

**NZD exchange rates**

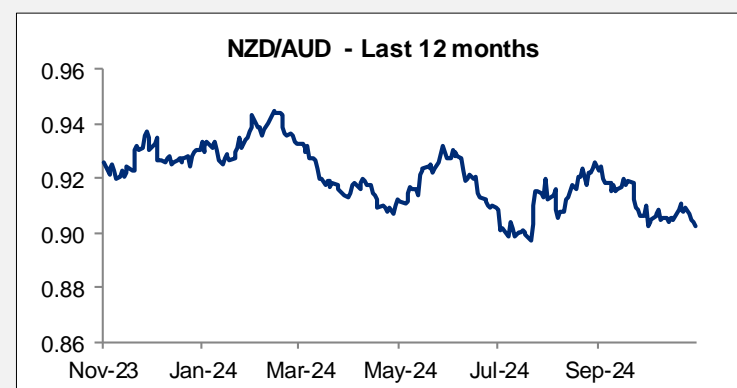
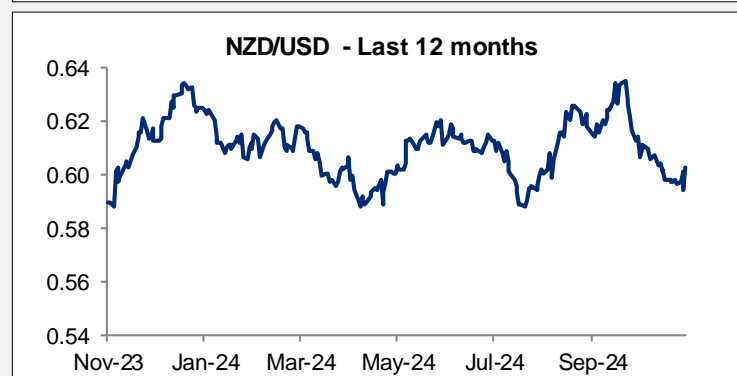
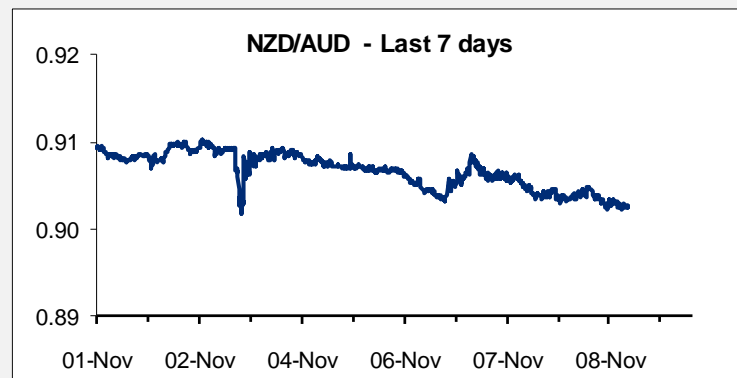
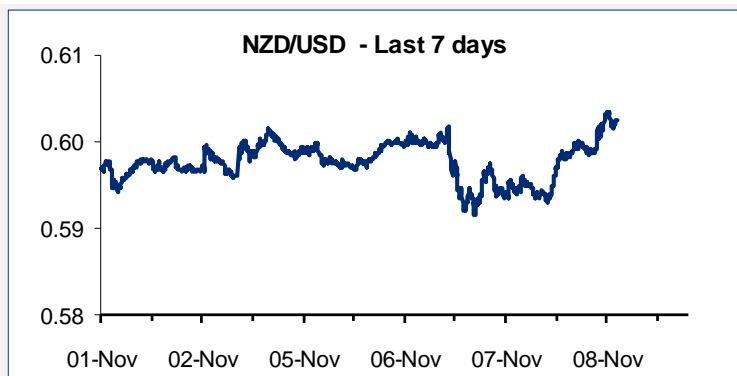
8/11/2024	6:47 am	Prev. NY close
USD	0.6023	0.5939
GBP	0.4637	0.4611
AUD	0.9025	0.9041
EUR	0.5576	0.5535
JPY	92.17	91.83
CAD	0.8345	0.8278
CHF	0.5254	0.5206
DKK	4.1586	4.1283
FJD	1.3679	1.3449
HKD	4.6808	4.6183
INR	50.82	50.05
NOK	6.5359	6.5783
PKR	167.35	164.90
PHP	35.38	34.84
PGK	2.3769	2.3484
SEK	6.4465	6.4485
SGD	0.7957	0.7916
CNY	4.3017	4.2614
THB	20.66	20.29
TOP	1.3968	1.3879
VUV	73.01	71.71
WST	1.6502	1.6182
XPF	66.40	65.97
ZAR	10.4169	10.4653

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.32	1.52
3 Months	5.60	6.13
6 Months	13.04	14.31
9 Months	21.07	23.28
1 Year	27.54	30.54

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.20	0.29
3 Months	3.23	4.45
6 Months	14.49	17.34
9 Months	29.96	34.75
1 Year	43.55	50.75



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