

# Research Markets Today

8 October 2024

## Events Round-Up

GE: Factory Orders (m/m%), Aug: -5.8 vs. -2.0 exp.

## Good Morning

Global bond yields continued to move higher with 10-year US treasuries trading back above 4%. This is the highest level since August, as investors continued to recalibrate the outlook for monetary policy, after the upside surprise to labour market data last week. US equities are marginally lower in afternoon trade while the Euro Stoxx index edged higher despite very weak German factory orders. The US dollar was mixed, and the NZD extended its recent fall.

Brent crude prices extended higher and traded above US\$80 per barrel with the market concerned that Israel may attack Iran's oil infrastructure in retaliation for the missile attack last week.

The market has continued to reduce expectations for rate cuts by the US Federal Reserve with last week's labour market report prompting a fundamental reassessment about the outlook for monetary policy and prompting position unwinding. The market is pricing 21bps of easing for the November FOMC, a large adjustment from late September when there was ~40bps priced.

US treasury yields have continued to move higher in a largely parallel curve adjustment. 2-year yields increased 7bps to 3.99% while 10-year yields traded steadily higher to 4.03%. The market looks ahead to US\$119 billion of supply this week beginning with a US\$58 billion 3-year note auction tomorrow morning (NZT).

German bunds traded higher in yield, aligned with the move in US treasuries, and looked past very weak factory orders which fell 5.8% on the month. The drop was the largest since January, and weaker than all economists' estimates on the Bloomberg survey, which raises the prospect that the economy is in recession after a modest contraction in Q2.

In currency markets, the US dollar was little changed in aggregate as measured by the dollar index, but this masked differentiated performance amongst developed market currencies. The Swiss franc and yen gained against the dollar while the Australasian currencies lost ground.

NZD/USD declined close to 0.7% in the offshore session. This is fifth consecutive day of losses which is the longest losing streak since July. There wasn't an obvious catalyst for the move, which saw the NZD trade towards 0.6120, though narrowing yield differentials against the US have been a contributing factor to the sharp decline over the past week. The NZD underperformed on the major cross rates except NZD/AUD which is little changed near 0.9060.

NZ fixed income yields moved higher in the local session yesterday reflecting the adjustment higher in offshore markets. There was an outperformance by NZ on a cross-market basis against the US, and Australia where only the futures markets was open, given the public holiday. 2-year NZ swap rates increased 8bps to 3.64% with the curve flattening at the margin. 10-year NZ government bonds increased 6bps to 4.33%.

Australian 10-year government bond futures are 2bps higher in yield terms since the local close yesterday which suggests a modest upward bias for NZ yields on the open.

There is no domestic economic data of note today. There are a range of releases in Australia including the NAB Business Survey, Westpac Consumer Sentiment, and RBA Minutes for the September meeting. The minutes are not expected to provide much additional information given the extensive post meeting commentary from Governor Bullock.

Chinese markets will reopen after the Golden Week holiday. The Hang Seng China Enterprises Index has rallied close to 9% during the period that mainland equity markets have been closed. German industrial production and the US NFIB small business optimism survey are released later this evening.

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## Coming Up

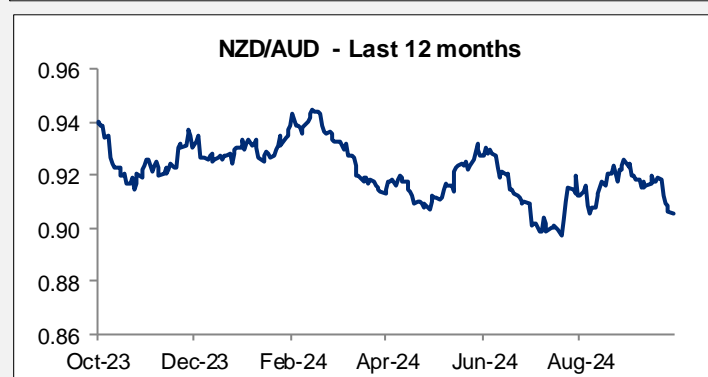
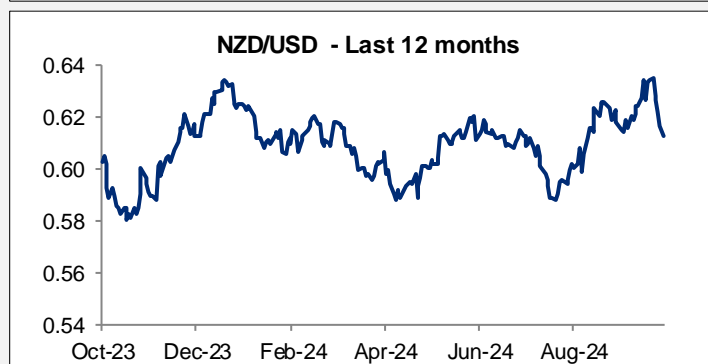
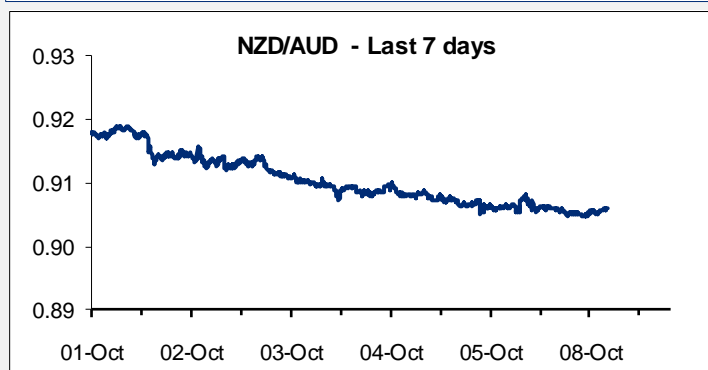
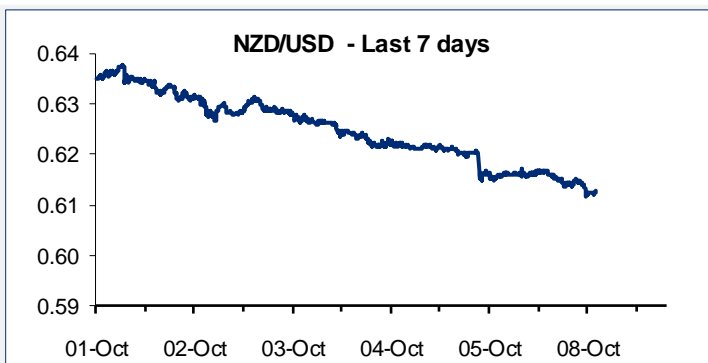
		Period	Cons.	Prev.	NZT
AU	Westpac Consumer Conf Index	Oct		84.6	12:30
JN	Full-Time Pay (y/y%)	Aug	3	3	12:30
AU	RBA Minutes of Sept. Policy Meeting				13:30
AU	NAB Business Conditions	Sep		3	13:30
GE	Industrial Production (m/m%)	Aug	0.8	-2.4	19:00
US	NFIB Small Business Optimism	Sep	92	91.2	23:00
US	Trade Balance (US\$bn)	Aug	-70.5	-78.8	01:30

Source: Bloomberg, BNZ



**NZD exchange rates**

8/10/2024	6:18 am	Prev. NY close
USD	0.6127	0.6159
GBP	0.4680	0.4694
AUD	0.9060	0.9064
EUR	0.5579	0.5612
JPY	90.69	91.58
CAD	0.8336	0.8361
CHF	0.5234	0.5287
DKK	4.1591	4.1830
FJD	1.3622	1.3626
HKD	4.7585	4.7836
INR	51.45	51.72
NOK	6.5204	6.5640
PKR	170.59	171.40
PHP	34.80	34.67
PGK	2.4046	2.4162
SEK	6.3457	6.3853
SGD	0.7986	0.8034
CNY	4.3004	4.3181
THB	20.49	20.35
TOP	1.4147	1.4030
VUV	72.84	73.10
WST	1.6527	1.6508
XPF	66.51	66.89
ZAR	10.6420	10.7712



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.12	1.51
3 Months	3.74	4.25
6 Months	6.10	7.10
9 Months	11.61	13.61
1 Year	18.13	21.13

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-3.09	-2.32
3 Months	-3.95	-2.78
6 Months	-0.54	1.98
9 Months	11.69	16.63
1 Year	27.13	34.23

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