

# Research Markets Today

9 December 2024

## Events Round-Up

JN: Full-time pay - same base (y/y%), Oct: 2.8 vs. 2.9 exp.  
 GE: Industrial production (m/m%), Oct: -1.0 vs. 1.0 exp.  
 CA: Unemployment rate (%), Nov: 6.8 vs. 6.6 exp.  
 US: Change in nonfarm payrolls (k), Nov: 227 vs. 215 exp.  
 US: Unemployment rate (%), Nov: 4.2 vs. 4.1 exp.  
 US: Avg hourly earnings (m/m%), Nov: 0.4 vs. 0.3 exp.  
 US: Avg hourly earnings (y/y%), Nov: 4.0 vs. 3.9 exp.  
 US: U. of Mich. consumer sentiment, Dec: 74.0 vs. 73.2 exp.  
 US: U. of Mich. 5-10y inflation exps., Dec: 3.1 vs. 3.1 exp.

## Good Morning

US equities made modest gains and treasury yields fell after the US labour market report, which saw pricing firm for a 25bp Fed rate cut, later this month. The S&P edged up 0.2% to close the week 1% higher. The US dollar ended on a firm footing, particularly against growth sensitive currencies, within the G10 basket. Brent crude prices traded towards US\$71 per barrel. Official data revealed China's central bank restarted gold purchases in November after a six month pause.

US Nonfarm payrolls increased 227K in November, closely matching consensus estimates and bouncing back from the weak October print, which was impacted by the Boeing strike and hurricanes. In addition, there were upward revisions totalling 56k for the previous two months. Average earnings were firmer than expected increasing 0.4% in the month and at a 4.0% annual pace.

Although payrolls are running at a three-month average of 173k, there were some signs of weakness in the household survey. The unemployment rate increased to 4.2%, from 4.1% in October, set against the backdrop of a 355k drop in household unemployment and a drop in the participation rate.

University of Michigan consumer sentiment rose to 74.0, which was marginally above expectations. Consumers' expectations for inflation five-to-ten years ahead dipped to 3.1% from 3.2%. Although expectations remain elevated, they ought to gradually converge with actual inflation in coming months.

The rise in the US unemployment rate saw the market price an increased chance of a 25bp rate cut later this month. There is 22bp of easing implied from futures markets compared with 17bp ahead of the data. Treasury yields declined led by the front end of the curve. 2-year yields fell 4bp to 4.10% while 10-year yields dipped 2bp to 4.15%.

German 10-year bunds were little changed at 2.10%. Industrial production fell unexpectedly in October, led by contractions in the energy and automotive sectors, and is 4.5% weaker than a year ago. Despite ongoing political uncertainty in France, the 10-year spread against bunds closed at 77bp, well below the recent 90bp peak.

There was a brief period of FX volatility in the Asian session. The Korean won dropped sharply before recovering but suggests markets remain on edge given the political backdrop. The broader Asia FX complex slipped concurrently weighing on the NZD and AUD.

A broadly stronger US dollar overnight Friday saw NZD/USD fall below 0.5830. The NZD underperformed against the euro and yen which were only marginally weaker against the US dollar. The Canadian dollar underperformed, after unemployment increased to 6.8%, increasing the chance of a 50bp rate cut this week.

NZ fixed ended the local session on Friday modestly higher in yield with limited domestic or regional catalysts. 2-year swap rates closed 1bp higher at 3.59% and remain marginally above the lows from the past month. 10-year rates also increased 1bp to 3.99%.

Government bonds were similarly quiet with 10-year yields closing 2bp higher at 4.38%. Australian 10-year government bond futures are 2bp lower in yield terms since the local close on Friday, which suggests a marginal downward bias, for NZ yields on the open.

It is a quiet beginning to the week in terms of economic data. The only release of note is CPI and PPI data in China. CPI is expected to remain subdued, with the consensus estimate for a 0.5% annual gain, while producer prices also remain soft. With the private sector under pressure, stronger government stimulus is required to reduce deflationary risks. Chinese 10-year sovereign bonds have continued to move lower in yield and are now below 2.0%.

Looking ahead to the rest of the week, high frequency activity indicators will be the domestic focus with electronic card transactions and the manufacturing PMI scheduled. The focus in the US will November CPI which is the final first-tier data release ahead of the December FOMC. The European Central Bank, Bank of Canada and Swiss National Bank are all expected to cut rates. However, the RBA is expected to leave rates unchanged at its monetary policy meeting tomorrow and doesn't release updated forecasts.

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### Coming Up

		Period	Cons.	Prev.	NZT
CH	PPI (y/y%)	Nov	-2.8	-2.9	14:30
CH	CPI (y/y%)	Nov	0.5	0.3	14:30

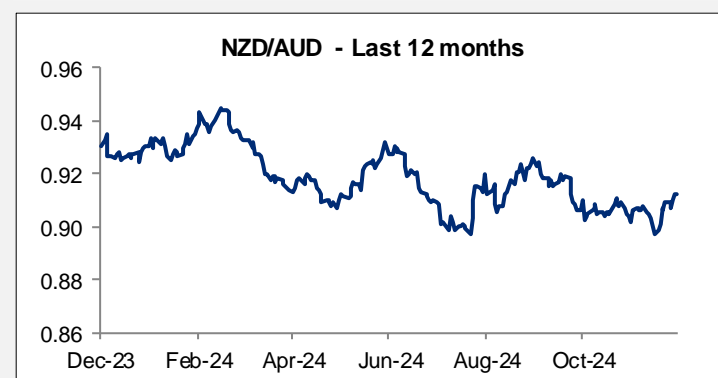
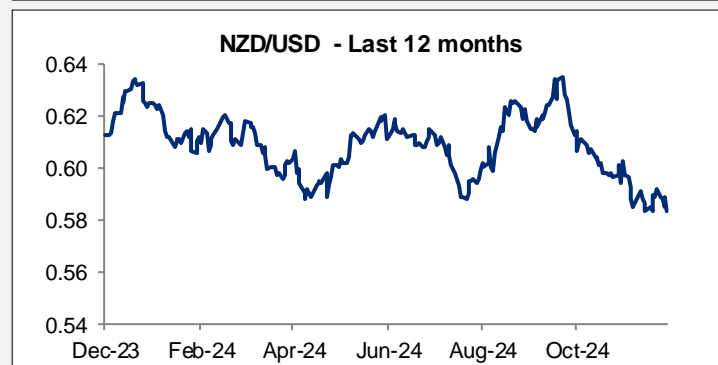
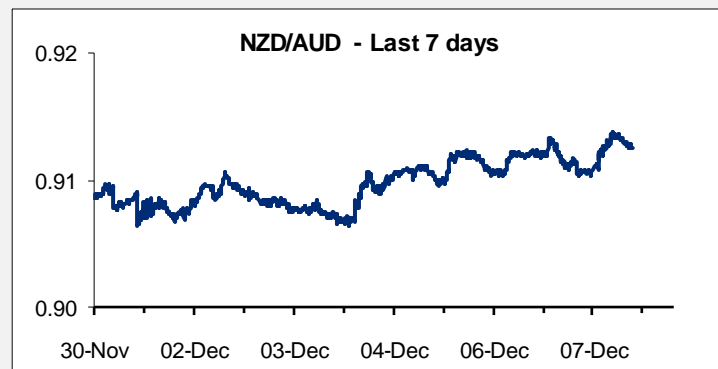
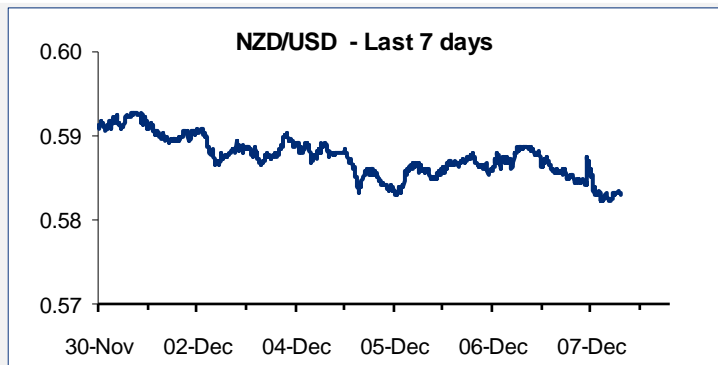
Source: Bloomberg, BNZ

Currencies							Equities				Commodities					
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day			Last	Net Day					
NZD	.equesting	-0.9	0.5821	0.5877	CHF	0.8788	+0.0			S&P 500	6,090	+0.2	33.9	Oil (Brent)	71.12	-1.3
AUD	.equesting	-1.0	0.6373	0.6445	SEK	10.934	+0.7			Dow	44,643	-0.3	23.8	Oil (WTI)	67.20	-1.6
EUR	.equesting	-0.2	1.0542	1.0630	NOK	11.154	+1.1			Nasdaq	19,860	+0.8	40.4	Gold	2638.6	+0.5
GBP	.equesting	-0.1	1.2721	1.2811	HKD	7.780	-0.0			Stoxx 50	4,978	+0.5	10.0	HRC steel	689.0	+0.0
JPY	.equesting	-0.1	149.37	150.70	CNY	7.272	+0.2			FTSE	8,309	-0.5	10.0	CRB	286.3	-0.0
CAD	.equesting	+1.0			SGD	1.343	+0.3			DAX	20,385	+0.1	21.6	Wheat Chic.	557.3	-0.2
NZD/AUD	#VALUE!	+0.0			IDR	15,845	-0.1			CAC 40	7,427	+1.3	-1.3	Sugar	21.81	+2.9
NZD/EUR	#VALUE!	-0.8			THB	34.07	-0.2			Nikkei	39,091	-0.8	21.0	Cotton	70.11	-1.4
NZD/GBP	#VALUE!	-0.8			KRW	1,423	+0.5			Shanghai	3,404	+1.0	14.6	Coffee	330.3	+5.3
NZD/JPY	#VALUE!	-1.0			TWD	32.39	-0.1			ASX 200	8,421	-0.6	17.0	WM powder	4015	-0.6
NZD/CAD	#VALUE!	+0.0			PHP	57.75	-0.2			NZX 50	12,810	-0.7	11.4	<b>Australian Futures</b>		
NZ TWI	69.09	-0.7							VIX Index	12.77	-5.7	-1.5	3 year bond	#N/A	N/A	0.00
<b>Interest Rates</b>																
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	4.75	4.85	3.92	3.67	USD	4.15	-0.02	15-Apr-27	3.79	0.01	BKBM 1-mth	4.38	0.00			
AUD	4.35	4.43	3.87	4.27	AUD	4.22	-0.01	15-May-28	3.84	0.01	BKBM 3-mth	4.33	-0.00			
NZD	4.25	4.33	3.62	3.99	NZD	4.38	0.01	20-Apr-29	3.92	0.01	1 year	3.81	-0.00			
EUR	3.25	2.88	2.13	2.12	GER	2.11	-0.00	15-May-30	4.04	0.00	2 year	3.62	0.01			
GBP	4.75	5.30	4.13	3.81	GBP	4.28	-0.01	15-May-31	4.16	0.01	3 year	3.59	0.01			
JPY	0.23	-0.03	0.63	1.03	JPY	1.06	-0.01	15-May-32	4.26	0.01	5 year	3.69	0.02			
CAD	3.75	4.97	2.74	2.79	CAD	2.98	-0.10	14-Apr-33	4.32	0.01	7 year	3.83	0.02			
							NZ Inflation-Indexed Bonds		15-May-34	4.38	0.01	10 year	3.99	0.01		
							Sep-30	2.28	0.03	15-May-35	4.46	0.01	15 year	4.19	0.00	
							Sep-35	2.62	0.04	15-May-36	4.54	0.01				
							Sep-40	2.86	0.03	15-May-37	4.63	0.01				
										15-May-41	4.84	0.01				
										15-May-51	4.97	0.01				
										15-May-54	4.99	0.01				

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates at NY close  
 Source: Bloomberg

**NZD exchange rates**

7/12/2024	NY close	Prev. NY close
USD	0.5832	0.5886
GBP	0.4576	0.4613
AUD	0.9125	0.9121
EUR	0.5518	0.5560
JPY	87.49	88.35
CAD	0.8257	0.8254
CHF	0.5124	0.5171
DKK	4.1145	4.1469
FJD	1.3337	1.3500
HKD	4.5362	4.5806
INR	49.39	49.88
NOK	6.5041	6.4960
PKR	162.02	163.41
PHP	33.67	34.07
PGK	2.3213	2.3357
SEK	6.3758	6.3889
SGD	0.7829	0.7881
CNY	4.2401	4.2725
THB	19.87	20.21
TOP	1.3743	1.4031
VUV	70.47	71.48
WST	1.6071	1.6286
XPF	65.87	66.47
ZAR	10.5107	10.6040



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.94	2.41
3 Months	5.59	6.11
6 Months	14.48	15.48
9 Months	22.74	26.86
1 Year	31.82	34.83

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.70	1.71
3 Months	5.37	6.57
6 Months	17.93	20.75
9 Months	29.47	38.09
1 Year	43.15	50.43

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