

# Research Markets Today

10 December 2024

## Events Round-Up

CH: PPI (y/y%), Nov: -2.5 vs. -2.8 exp.

CH: CPI (y/y%), Nov: 0.2 vs. 0.4 exp.

## Good Morning

After a quiet start to the week, with the NZD (and AUD) and drifting lower and remaining out of favour, the market was brought alive after an announcement by China's Politburo, following its December meeting. This meeting comes ahead of the Central Economic Work Conference later this week where the leadership announces key economic targets and priorities for the year ahead.

The Politburo signalled bolder economic support next year, shifting to a "moderately loose" monetary policy stance, a step-up from "prudent" monetary policy that has been in place for 14 years. Of more significance, given that we know looser China monetary policy has been ineffective in driving an economic revival, there was also a signal of "more proactive" fiscal policy, and promising to "forcefully boost consumption", and stabilise the property and stock markets.

While the announcement was short on specifics, it provided the market some hope that the government would be adding to stimulus measures to support the economy next year and counteracting impacts from Trump's tariff policy.

The Chinese yuan appreciated, with USD/CNH falling from as high as 7.29 ahead of the announcement to as low as 7.26. The NZD had been sliding through the day and, after finding some support just over 0.58, the currency rallied strongly and currently sits around 0.5880. The AUD recovered from 0.6380 to 0.6460. NZD/AUD was weaker through the Asian trading session, falling below 0.91 and it has settled around that figure overnight.

The outperformance of the AUD and NZD is notable, and NZD crosses are all higher. NZD/GBP has recovered to the 0.46 figure and NZD/EUR has recovered to 0.5560. The yen is the weakest of the majors, with USD/JPY back up through 151 and NZD/JPY up 1.7% from last week's close to just below 89. Much of the yen's weakness followed China's policy announcement, suggesting global forces at play than domestic forces.

US Treasury yields pushed higher after the announcement as well, with the 10-year rate rising from 4.13% and currently sitting just under 4.2%. The curve is modestly steeper, with a more moderate lift in the 2-year rate.

US equities opened weaker after their recent record-breaking run higher, and the S&P500 is down 0.4% in early afternoon trading.

Sentiment in the oil market improved after China's announcement, and Brent crude is up over 1½% for the day to USD72.30, the theory being that stronger China growth will help support demand next year. The end of Syrian President al-Assad's reign threatens to be a destabilising force in the Middle East, and the world will be watching developments closely over coming months.

The economic calendar has been light, with the only notable release being more soft China inflation data, released ahead of the Politburo announcement. Annual CPI inflation edged lower to 0.2% y/y, driven by a fall in food price inflation, with core inflation edging up to 0.3%. Producer price deflation eased to 2.5% y/y.

The domestic rates market was quiet. NZGB yields were marked down 3-4bps across the curve, reflecting global forces. Swap rates were marked down 2-4bps across the curve. Higher global rates overnight will impart an upside bias to yields on today's open, with the Australian 10-year bond future up 5bps in yield terms since the NZ close.

In the day ahead the RBA meeting is a dead rubber, with the Bank likely to repeat recent messaging on the policy outlook and with no new forecasts published. On the global calendar, China trade data and the US NFIB small business survey are released.

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## Coming Up

		Period	Cons.	Prev.	NZT
AU	NAB business conditions	Nov	7	13:30	
AU	RBA cash rate target (%)	Dec	4.35	4.35	16:30
CH	Exports (USD, y/y%)	Nov	8.9	12.7	
CH	Imports (USD, y/y%)	Nov	0.7	0.3	
US	NFIB small business optimism	Nov	94.5	93.7	00:00

Source: Bloomberg, BNZ

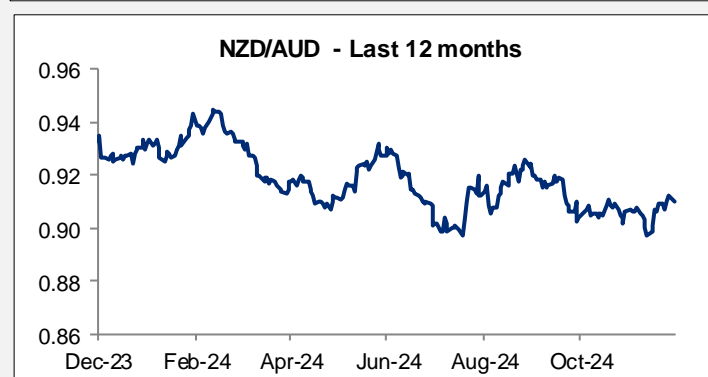
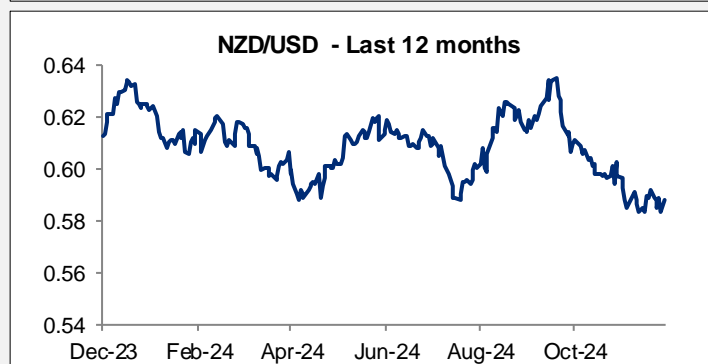
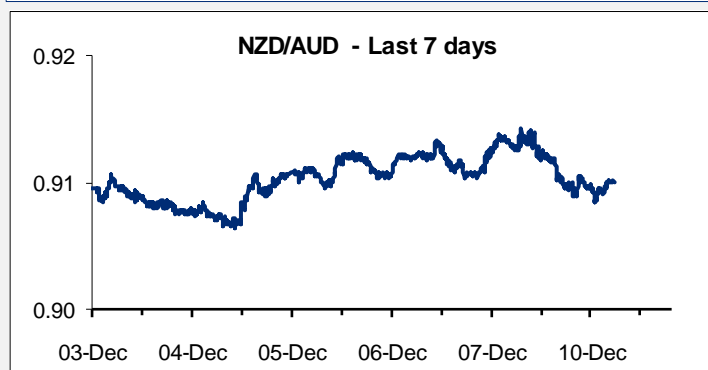
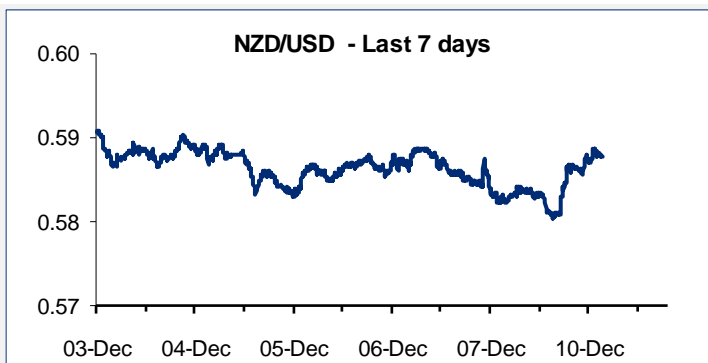
Currencies							Equities				Commodities				
FX Majors	Indicative overnight ranges (*)				Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day				
NZD	0.5877	+0.8	0.5807	0.5888	CHF	0.8780	-0.1	S&P 500	6,066	-0.4	31.7	Oil (Brent)	72.33	+1.7	
AUD	0.6458	+1.0	0.6383	0.6471	SEK	10.903	-0.3	Dow	44,549	-0.2	22.9	Oil (WTI)	68.56	+2.0	
EUR	1.0570	+0.0	1.0537	1.0594	NOK	11.099	-0.5	Nasdaq	19,782	-0.4	37.3	Gold	2669.5	+1.2	
GBP	1.2774	+0.2	1.2720	1.2799	HKD	7.775	-0.1	Stoxx 50	4,985	+0.2	10.2	HRC steel	675.0	-2.0	
JPY	151.32	+0.9	149.95	151.32	CNY	7.259	-0.2	FTSE	8,352	+0.5	10.6	CRB	286.3	-0.0	
CAD	1.4135	-0.1			SGD	1.339	-0.3	DAX	20,346	-0.2	21.4	Wheat Chic.	558.0	+0.1	
NZD/AUD	0.9100	-0.3			IDR	15,867	+0.1	CAC 40	7,480	+0.7	-0.6	Sugar	21.41	-1.8	
NZD/EUR	0.5560	+0.8			THB	33.75	-0.9	Nikkei	39,161	+0.2	21.2	Cotton	70.13	+0.0	
NZD/GBP	0.4601	+0.5			KRW	1,431	+0.5	Shanghai	3,403	-0.0	14.6	Coffee	329.5	-0.2	
NZD/JPY	88.93	+1.7			TWD	32.44	+0.2	ASX 200	8,423	+0.0	17.1	WM powder	4010	-0.1	
NZD/CAD	0.8307	+0.7			PHP	58.02	+0.5	NZX 50	12,802	-0.1	11.4	<b>Australian Futures</b>			
NZ TWI	69.51	+0.6						VIX Index	13.78	+7.9	+11.6	3 year bond	96.21	0.02	
<b>Interest Rates</b>											10 year bond			95.73	-0.04
	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	3.94	3.71	USD	4.19	0.04	15-Apr-27	3.76	-0.03	BKBM 1-mth	4.38	0.00		
AUD	4.35	4.44	3.90	4.31	AUD	4.20	-0.02	15-May-28	3.81	-0.03	BKBM 3-mth	4.32	-0.00		
NZD	4.25	4.32	3.60	3.95	NZD	4.34	-0.04	20-Apr-29	3.89	-0.03	1 year	3.79	-0.02		
EUR	3.25	2.87	2.12	2.13	GER	2.12	0.01	15-May-30	4.00	-0.04	2 year	3.60	-0.02		
GBP	4.75	5.30	4.10	3.80	GBP	4.27	-0.01	15-May-31	4.12	-0.04	3 year	3.57	-0.02		
JPY	0.23	-0.03	0.62	1.03	JPY	1.05	-0.01	15-May-32	4.22	-0.04	5 year	3.66	-0.03		
CAD	3.75	4.97	2.74	2.83	CAD	3.03	0.05	14-Apr-33	4.28	-0.04	7 year	3.79	-0.04		
							NZ Inflation-Indexed Bonds		15-May-34	4.34	-0.04	10 year	3.95	-0.04	
							Sep-30	2.28	0.00	15-May-35	4.42	-0.04	15 year	4.15	-0.04
							Sep-35	2.61	-0.01	15-May-36	4.51	-0.04			
							Sep-40	2.86	0.00	15-May-37	4.59	-0.04			
										15-May-41	4.80	-0.04			
										15-May-51	4.93	-0.04			
										15-May-54	4.96	-0.04			

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 06:55

Source: Bloomberg

**NZD exchange rates**

10/12/2024	6:55 am	Prev. NY close
USD	0.5877	0.5831
GBP	0.4601	0.4575
AUD	0.9100	0.9124
EUR	0.5560	0.5518
JPY	88.93	87.47
CAD	0.8307	0.8255
CHF	0.5160	0.5124
DKK	4.1465	4.1145
FJD	1.3566	1.3337
HKD	4.5691	4.5362
INR	49.80	49.39
NOK	6.5232	6.5041
PKR	163.36	161.88
PHP	34.10	33.67
PGK	2.3396	2.3213
SEK	6.4078	6.3758
SGD	0.7870	0.7829
CNY	4.2659	4.2401
THB	19.87	19.87
TOP	1.3864	1.3743
VUV	72.40	70.47
WST	1.6158	1.6071
XPF	66.41	65.87
ZAR	10.4180	10.5107



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	2.01	2.34
3 Months	5.67	6.09
6 Months	14.93	15.93
9 Months	24.77	26.70
1 Year	33.79	36.79

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.84	1.55
3 Months	5.35	6.51
6 Months	19.15	22.11
9 Months	33.11	38.38
1 Year	46.44	54.49

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