

# Research Markets Today

10 October 2024

## Events Round-Up

NZ: RBNZ Official Cash Rate, Oct: 4.75 vs. 4.75 exp.

## Good Morning

US equity markets remained well underpinned ahead of key inflation data with the S&P increasing 0.5% to a fresh record high. European equities also gained with the Euro Stoxx closing 0.7% higher. There was limited economic data to provide direction and Fed officials continued with the recent narrative of a gradual easing cycle. Treasury yields moved higher supporting the US dollar. The NZD remained heavy after the sharp fall following the RBNZ rate decision yesterday. Brent crude extended lower towards US\$76 per barrel.

Chinese stocks fell sharply. The CSI 300 index slumped 7% amid ongoing uncertainty about further stimulus measures. China's Ministry of Finance announced it would hold a briefing on fiscal policy on Saturday which will 'introduce moves to strengthen fiscal policy to shore up growth'. The announcement only provided temporary support to the market.

US treasury yields moved 4-5bps higher across the curve in a largely parallel shift. 10-year bonds traded to 4.06%, which is the highest level since the start of August. The US\$39 billion 10-year note auction attracted reasonable demand but cleared around half a bp above prevailing market levels, with CPI data and 30-year supply tomorrow likely dampening demand from investors.

European bonds closed modestly higher in yield. 10-year bund yields increased 2bps to 2.25%. The German government downgraded its growth forecast for this year and now expects the economy to contract by 0.2%. It has previously expected 0.3% growth.

The RBNZ cut the OCR by 50bps to 4.75% at the Monetary Policy Review (MPR). This aligned with economists' expectations and was largely discounted by market pricing. Although the Committee discussed the benefits of a 25bps and 50bps adjustment, the accompanying statement did little to undermine expectations for a follow up 50bps cut in November. The Bank noted CPI is converging towards the midpoint of its target band, activity is subdued in part due to restrictive policy, and that the economy is in a position of excess capacity.

The NZD fell below 0.6100 in the local session yesterday, and has extended lower in offshore trade, amid a broadly stronger US dollar backdrop. The dollar index has retraced more than 50% of its August – September decline following the stronger than expected US labour market data and associate paring of Fed rate cut expectations. The yen was relatively weak overnight given its sensitivity to US treasury yields. The NZD is sharply weaker on all the major crosses following the RBNZ meeting.

NZ fixed income yield ended the session modestly lower in yield in the local session yesterday. 2-year swap rates dropped 4bps to 3.65% while 10-year rates closed at 3.98%, down 3bps on the day. Following the RBNZ meeting, overnight interest swaps are pricing close to 50bps of easing for the November meeting. Government bonds were largely unchanged with 10-year yields down 1bp at 4.30%.

The NZGB market looks ahead to the weekly bond tender this afternoon. New Zealand Debt Management (NZDM) is tendering NZ\$500 million of nominal NZGBs today split across May-28 (\$200m), May-34 (\$50m) and May-41 (\$50m). The May-28 maturity hasn't been tendered since March. In addition, NZDM will offer NZ\$25m of the Sep-30 Inflation Indexed Bonds.

Australian 10-year government bond futures are 4bps 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. The Treasury will release Crown Financial Statements for the fiscal year ended June 2024. The fiscal deficit in the 11 months to May was tracking NZ\$1 billion smaller relative to the projections contained in the Budget.

US CPI data will be closely monitored overnight. The consensus looks for a 0.2% increase for the core measure in September leaving the annual rate unchanged at 3.2%. US Initial jobless claims could be impacted by Hurricane Helene and strikes at Boeing.

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## Coming Up

	Period	Cons.	Prev.	NZT
US CPI (m/m%)	Sep	0.1	0.2	01:30
US CPI Ex Food and Energy (m/m%)	Sep	0.2	0.3	01:30
US CPI (y/y%)	Sep	2.3	2.5	01:30
US CPI Ex Food and Energy (y/y%)	Sep	3.2	3.2	01:30
US Initial Jobless Claims	Oct 5	230	225	01:30
US Fed's Williams Gives Keynote Remarks				04:00

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	0.6059	-1.3	0.6053	0.6105	CHF	0.8598	+0.3	S&P 500	5,778	+0.5	33.3	Oil (Brent)	76.31	-1.1
AUD	0.6717	-0.4	0.6708	0.6749	SEK	10.397	+0.6	Dow	42,479	+1.0	26.4	Oil (WTI)	72.90	-0.9
EUR	1.0937	-0.4	1.0937	1.0973	NOK	10.783	+0.7	Nasdaq	18,256	+0.4	35.4	Gold	2607.0	-0.3
GBP	1.3067	-0.3	1.3056	1.3096	HKD	7.772	-0.1	Stoxx 50	4,983	+0.7	21.2	HRC steel	700.0	-1.5
JPY	149.23	+0.7	148.27	149.30	CNY	7.085	+0.3	FTSE	8,244	+0.6	10.0	CRB	287.3	-2.1
CAD	1.3696	+0.4			SGD	1.307	+0.2	DAX	19,255	+1.0	27.3	Wheat Chic.	622.8	+0.7
NZD/AUD	0.9020	-0.8			IDR	15,630	-0.2	CAC 40	7,560	+0.5	7.7	Sugar	22.04	-1.8
NZD/EUR	0.5540	-0.9			THB	33.52	-0.1	Nikkei	39,278	+0.9	23.7	Cotton	72.03	-1.7
NZD/GBP	0.4637	-1.0			KRW	1,347	+0.1	Shanghai	3,259	-6.6	6.0	Coffee	249.5	+0.5
NZD/JPY	90.42	-0.6			TWD	32.21	-0.1	ASX 200	8,187	+0.1	16.3	WM powder	3555	-0.3
NZD/CAD	0.8298	-0.9			PHP	57.01	+0.2	NZX 50	12,776	+1.8	13.1	<b>Australian Futures</b>		
NZ TWI	69.93	-1.1						VIX Index	20.87	-2.6	+17.9	3 year bond	96.30	-0.01
												10 year bond	95.79	-0.03
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields				
Rates	Swap Yields				Benchmark 10 Yr Bonds		Last	Chg		Last	Chg			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day						Last	Chg	
USD	5.00	4.85	3.82	3.60	USD	4.06	0.05	15-May-26	3.85	-0.02	BKBM 1-mth	4.95	-0.01	
AUD	4.35	4.42	3.88	4.29	AUD	4.19	0.03	15-Apr-27	3.70	-0.01	BKBM 3-mth	4.75	-0.02	
NZD	4.75	4.75	3.65	3.98	NZD	4.30	0.00	15-May-28	3.74	-0.00	1 year	4.02	-0.09	
EUR	3.50	3.27	2.49	2.49	GER	2.26	0.01	20-Apr-29	3.83	-0.00	2 year	3.65	-0.04	
GBP	5.00	5.30	4.10	3.83	GBP	4.18	-0.00	15-May-30	3.96	-0.00	3 year	3.56	-0.02	
JPY	0.23	-0.03	0.47	0.91	JPY	0.94	0.01	15-May-31	4.06	-0.00	5 year	3.63	-0.02	
CAD	4.25	4.97	3.18	3.16	CAD	3.28	0.04	15-May-32	4.17	-0.00	7 year	3.79	-0.02	
								14-Apr-33	4.25	0.00	10 year	3.98	-0.03	
								15-May-34	4.30	0.00	15 year	4.20	-0.03	
								15-May-35	4.40	0.00				
								15-May-36	4.50	0.00				
								15-May-37	4.58	0.00				
								15-May-41	4.78	0.00				
								15-May-51	4.90	0.00				
								15-May-54	4.94	0.00				

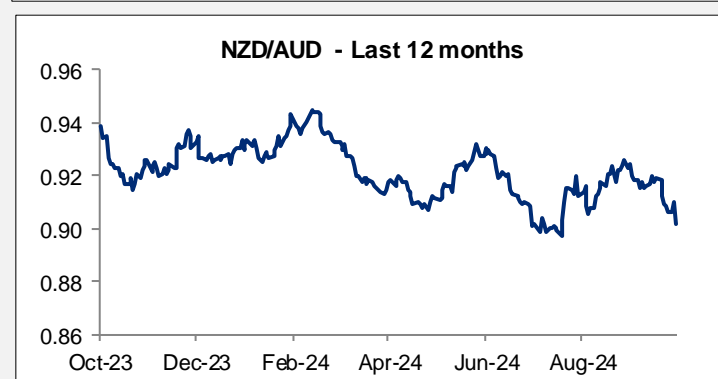
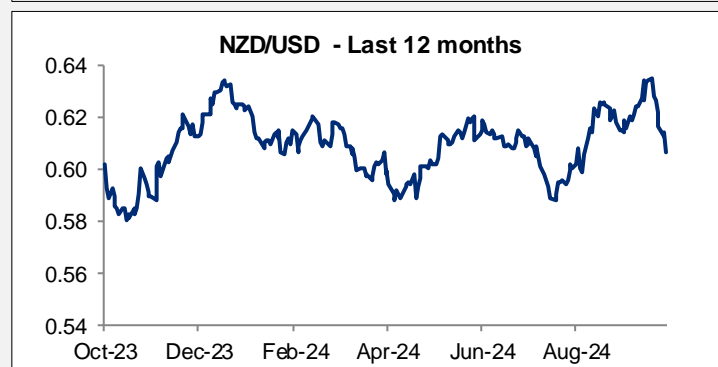
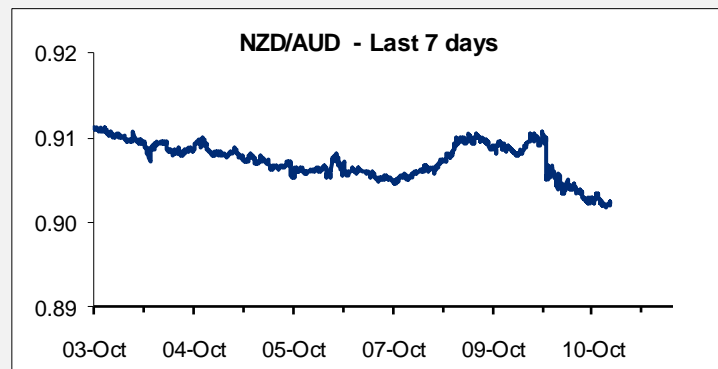
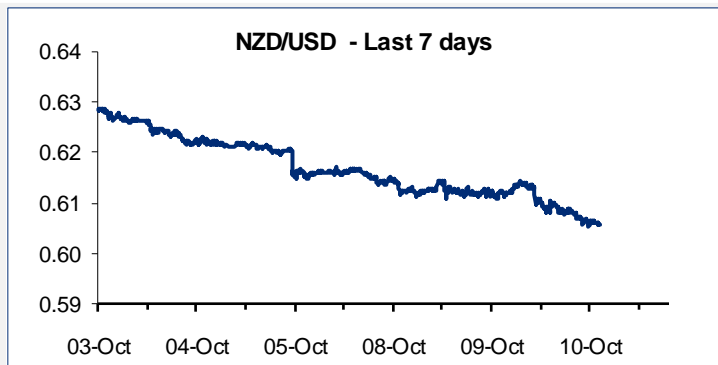
\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:23

Source: Bloomberg

**NZD exchange rates**

10/10/2024 6:22 am		Prev. NY close
USD	0.6059	0.6139
GBP	0.4637	0.4685
AUD	0.9020	0.9103
EUR	0.5540	0.5591
JPY	90.42	90.98
CAD	0.8298	0.8378
CHF	0.5210	0.5264
DKK	4.1321	4.1699
FJD	1.3528	1.3697
HKD	4.7088	4.7734
INR	50.87	51.55
NOK	6.5335	6.5724
PKR	168.70	170.85
PHP	34.55	34.94
PGK	2.3789	2.4065
SEK	6.2998	6.3437
SGD	0.7920	0.8005
CNY	4.2927	4.3362
THB	20.25	20.56
TOP	1.3929	1.4431
VUV	72.32	73.19
WST	1.6284	1.6586
XPF	65.37	66.59
ZAR	10.6953	10.7884



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.30	1.63
3 Months	5.07	5.62
6 Months	9.05	10.38
9 Months	16.00	18.92
1 Year	23.13	26.15

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.40	-1.68
3 Months	-1.92	-0.62
6 Months	3.29	6.25
9 Months	15.90	21.95
1 Year	30.19	37.65

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