

Research Markets Today

11 December 2024

Events Round-Up

AU: NAB business conditions, Nov: 2 vs. 7 prev.
 AU: RBA cash rate target (%), Dec: 4.35 vs. 4.35 exp.
 CH: Exports (USD, y/y%), Nov: 6.7 vs. 8.9 exp.
 CH: Imports (USD, y/y%), Nov: -3.9 vs. 0.9 exp.
 US: NFIB small business optimism, Nov: 101.7 vs. 95.3 exp.

Good Morning

The key market movement over the past 24 hours has been a whack to both the NZD and AUD following the RBA policy announcement yesterday afternoon. Surprising the market, the RBA made a dovish pivot, with Governor Bullock saying that the change in wording in the Statement was deliberate, following some softer data than expected and therefore “the Board is gaining some confidence that inflation is moving sustainably towards target”. The previous comment of not ruling anything in or out regarding policy was removed.

The message was clear and Australian rates and the AUD immediately fell after the announcement and the move has been sustained overnight. The market brought forward the path of easier policy, now seeing a better than even chance of a 25bps cut at the next meeting in February and two full cuts by May. Bullock was asked whether she was surprised by this market reaction and she said, “No I am not”.

The Australian 3-year rate is down 7bps and the 10-year rate is down 5bps since the RBA announcement, which coincided with the NZ close. The AUD was already weakening into the announcement and fell further, and is now down 1.3% from this time yesterday to 0.6375. The NZD followed the same path with a similar sized fall and traded at a fresh low for the year of 0.5792. A key support level is around 0.5800 so let’s see if that is broken on a sustained basis. The NZD currently trades just under that mark. Both currencies have fully unwound the appreciation seen following China’s Politburo announcement we reported on yesterday. While NZD/AUD initially rose following the RBA announcement to as high as 0.9130, it has returned to the pre-RBA level just below 0.91.

The USD is broadly stronger, with the DXY index up 0.4%, the move limited by insignificant falls in CAD and GBP.

EUR and JPY have shown larger falls, with EUR having another quick peek below 1.05 before returning above the figure and USD/JPY up through 152. Still, NZD crosses are much weaker, with NZD/CAD and NZD/GBP both down more than 1%, NZD/EUR down to 0.5515 and NZD/JPY down to 88.1.

There hasn’t been much else going in markets. In economic news, US small business optimism surged a monthly record of 8pts to 101.7, a 3½-year high, following the election of Trump as President – his policies of less regulation and tax cuts being seen as business-friendly. While the figure was much stronger than the consensus, with the post-election lift more than seen in 2016, the release had minimal impact on the market. As we’ve seen with other sentiment polls like those for the consumer, the outcome is more a political gauge than a leading indicator for the economy.

US equities are trading flat and the Euro Stoxx 600 index fell 0.5%. Treasuries continue to consolidate and are up 3-4bps, with the 10-year rate at 4.24%.

In the domestic rates market, rates opened higher reflecting the previous night’s move in global markets before falling through the rest of the day to show only small net movements. NZGB yields fell 1-2bps. The 2-year swap rate was flat at 3.60% and the 10-year rate was up 2bps to 3.97%. The fall in Australian rates since the NZ close will set the scene for the NZ open today.

Finally, bad news for coffee and chocolate lovers. Coffee and cocoa prices have surged to fresh record highs. Arabica coffee futures broke the previous record high set in 1977, with prices up 40% since October and nearly 100% for the year. Weather conditions in Brazil, including an extended drought and high temperatures, have increased supply concerns. Bad weather in West Africa has affected cocoa supplies.

In the day ahead, NZ business activity data for Q3 will provide further useful input for GDP estimates, with indicators to date suggesting yet another contraction in the economy. US CPI data tonight are expected to show a fourth consecutive 0.3% print for the core measure, not great optics ahead of the widely expected Fed rate cut next week, although supporting the narrative of a pause in the easing cycle in early 2025. An upward surprise would significantly reduce the chance of the Fed easing next week. The Bank of Canada is widely expected to cut its

policy rate by 50bps, with an outside chance of a smaller 25bps cut.

jason.k.wong@bnz.co.nz

Coming Up

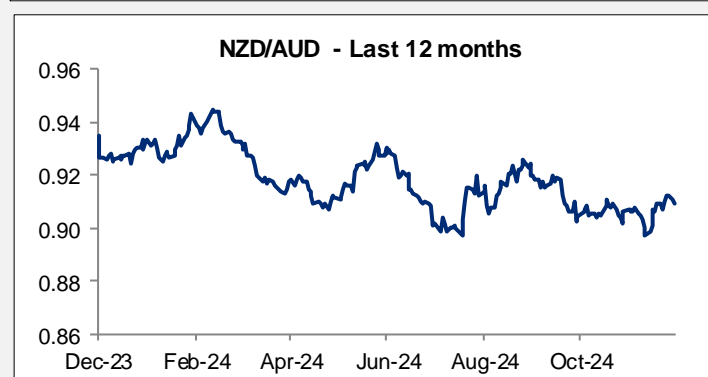
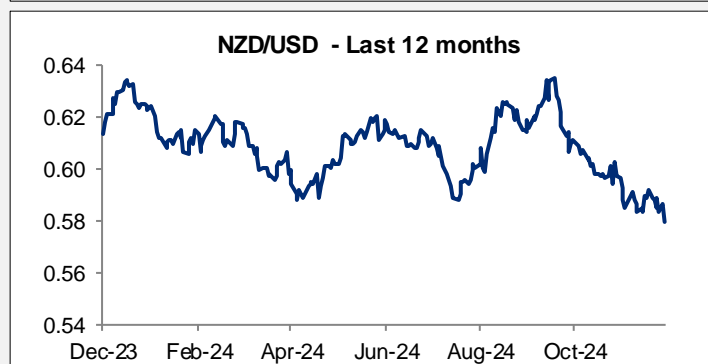
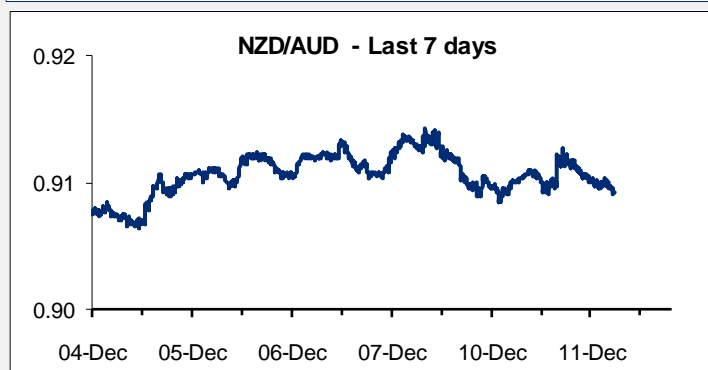
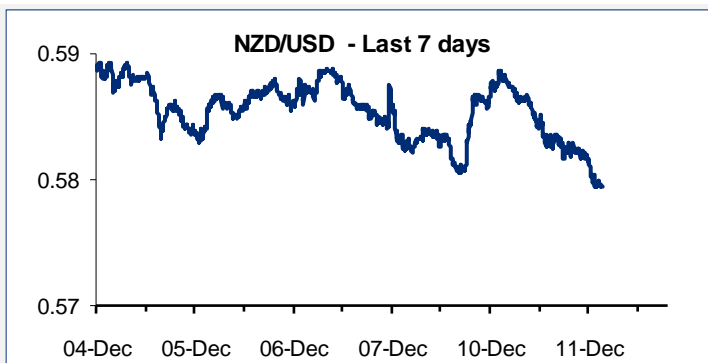
		Period	Cons.	Prev.	NZT
NZ	Business activity indicators	Q3			10:45
US	CPI (m/m%)	Nov	0.3	0.2	02:30
US	CPI ex food and energy (m/m%)	Nov	0.3	0.3	02:30
US	CPI (y/y%)	Nov	2.7	2.6	02:30
US	CPI ex food and energy (y/y%)	Nov	3.3	3.3	02:30
CA	Bank of Canada policy rate (%)	Dec	3.25	3.75	03:45

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	0.5795	-1.2	0.5792	0.5837	CHF	0.8826	+0.4	S&P 500	6,056	+0.0	31.5	Oil (Brent)	72.48	+0.5
AUD	0.6374	-1.0	0.6365	0.6403	SEK	10.993	+0.7	Dow	44,385	-0.0	22.4	Oil (WTI)	68.83	+0.7
EUR	1.0511	-0.4	1.0499	1.0568	NOK	11.168	+0.4	Nasdaq	19,758	+0.1	37.2	Gold	2698.2	+1.2
GBP	1.2749	-0.0	1.2724	1.2766	HKD	7.775	+0.0	Stoxx 50	4,952	-0.7	9.5	HRC steel	675.0	+0.0
JPY	152.08	+0.6	150.91	152.18	CNY	7.251	-0.1	FTSE	8,280	-0.9	9.6	CRB	289.1	+0.9
CAD	1.4166	-0.0			SGD	1.343	+0.2	DAX	20,329	-0.1	21.3	Wheat Chic.	560.8	+0.4
NZD/AUD	0.9092	-0.1			IDR	15,871	+0.0	CAC 40	7,395	-1.1	-1.8	Sugar	21.03	-2.1
NZD/EUR	0.5513	-0.8			THB	33.78	-0.1	Nikkei	39,368	+0.5	20.1	Cotton	69.36	-0.9
NZD/GBP	0.4545	-1.2			KRW	1,433	+0.1	Shanghai	3,423	+0.6	14.4	Coffee	330.4	+0.0
NZD/JPY	88.13	-0.6			TWD	32.46	+0.1	ASX 200	8,393	-0.4	16.6	WM powder	3995	-0.4
NZD/CAD	0.8209	-1.2			PHP	58.01	-0.0	NZX 50	12,723	-0.6	11.1	Australian Futures		
NZ TWI	68.78	-0.9						VIX Index	14.07	-0.8	+13.9	3 year bond	96.29	0.08
												10 year bond	95.82	0.09
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								
USD	4.75	4.85	3.97	3.74	USD	4.23	0.03	15-Apr-27	3.74	-0.01	BKBM 1-mth	4.38	0.00	
AUD	4.35	4.44	3.79	4.22	AUD	4.14	-0.06	15-May-28	3.80	-0.01	BKBM 3-mth	4.30	-0.02	
NZD	4.25	4.30	3.60	3.97	NZD	4.33	-0.01	20-Apr-29	3.88	-0.01	1 year	3.77	-0.02	
EUR	3.25	2.86	2.10	2.13	GER	2.12	0.00	15-May-30	3.99	-0.01	2 year	3.60	0.00	
GBP	4.75	5.30	4.12	3.85	GBP	4.32	0.05	15-May-31	4.11	-0.01	3 year	3.57	0.00	
JPY	0.23	-0.03	0.64	1.04	JPY	1.07	0.02	15-May-32	4.21	-0.01	5 year	3.66	0.00	
CAD	3.75	4.97	2.74	2.83	CAD	3.04	-0.00	14-Apr-33	4.27	-0.01	7 year	3.81	0.01	
								15-May-34	4.33	-0.01	10 year	3.97	0.02	
								15-May-35	4.41	-0.01	15 year	4.17	0.02	
								15-May-36	4.50	-0.01				
								15-May-37	4.58	-0.02				
								15-May-41	4.79	-0.01				
								15-May-51	4.92	-0.01				
								15-May-54	4.94	-0.01				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer						Sep-30	2.29	0.01						
Rates are as of: NZT 06:56						Sep-35	2.62	0.01						
Source: Bloomberg						Sep-40	2.87	0.01						

NZD exchange rates

11/12/2024 6:56 am		Prev. NY close
USD	0.5795	0.5864
GBP	0.4545	0.4599
AUD	0.9092	0.9106
EUR	0.5513	0.5556
JPY	88.13	88.67
CAD	0.8209	0.8310
CHF	0.5115	0.5154
DKK	4.1114	4.1437
FJD	1.3343	1.3502
HKD	4.5056	4.5588
INR	49.17	49.69
NOK	6.4719	6.5232
PKR	161.13	162.80
PHP	33.62	34.02
PGK	2.3088	2.3344
SEK	6.3704	6.3989
SGD	0.7780	0.7860
CNY	4.2021	4.2564
THB	19.59	19.98
TOP	1.3648	1.3833
VUV	71.27	72.26
WST	1.6002	1.6158
XPF	65.66	66.30
ZAR	10.3440	10.4219



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.85	2.18
3 Months	5.45	5.96
6 Months	15.32	16.32
9 Months	26.03	28.03
1 Year	36.58	39.58

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.86	1.68
3 Months	5.24	6.75
6 Months	17.91	21.16
9 Months	30.28	35.53
1 Year	41.47	50.04

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Matt Brunt
Economist

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington
Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

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