

Research Markets Today

11 November 2024

Events Round-Up

US: Fed Funds rate (upper bound), 4.75 vs. 4.75 exp.

CA: Unemployment rate (%), Oct: 6.5 vs. 6.6 exp.

US: U. of Mich. cons. sentiment, Nov: 73.0 vs. 71.0 exp.

US: U. of Mich. 5-10y inflation, Nov: 3.1 vs. 3.0 exp.

CH: PPI (y/y%), Oct: -2.9 vs. -2.5 exp.

CH: CPI (y/y%), Oct: 0.3 vs. 0.4 exp.

Good Morning

The euphoria of Trump's decisive win continued to reverberate through US equity markets as they notched up fresh record highs. For the same reason, the market continued to pare Fed rate cut expectations, driving a flatter US Treasuries curve, with higher short-term rates and a small fall in the 10-year rate. The USD was broadly stronger, with the NZD and AUD underperforming as China's policy package was focused on a local government debt swap rather than stimulating consumer spending. The NZD closed the week near where it started, just under 0.5970.

After we went to print Friday, the Fed delivered the 25bps cut to the Fed Funds rates as expected, alongside only minor tweaks to its Statement. Fed Chair Powell confirmed that an easing bias remained – with policy still considered restrictive and on a path to a more neutral stance – but the committee would take a meeting-by-meeting approach, leaving the door open to a possible pause in the easing cycle next month, depending on the data. He wasn't drawn into any discussion on the impact of the US election, other to say that in the near term the result would have no impact on monetary policy. Market reaction to the policy update was minimal.

The Trump trade remained a force to be reckoned with, particularly in the US equity market, as the S&P500 blasted up through 6000 for the first time, before ending the day just under the figure, up 0.4% and capping off a strong weekly gain of 4.7%, its best return in about a year. Other equity markets aren't feeling the same love, given the "America First" policy. Europe's Stoxx 600 index fell 0.6% and notched up a loss of 0.8% for the week. In the UK, the FTSE100 performance over the day and week was slightly worse than that, but other major markets seemed to at least post positive returns for the week.

In the rates market, while Chair Powell was at pains to remain politically neutral, the market continued to believe that a (likely) Republican clean sweep would provide less scope for the Fed to ease policy over the coming year. However, it hasn't all been about the Trump trade in markets as US economic data continue to positively surprise.

On that note, the University of Michigan consumer sentiment index was the latest offering, based on a survey in the fortnight leading up to the election. The headline figure of 73.0 was slightly better than expected, rising to a seven-month high, driven by the expectations component, which rose to a 3½ year high. At face value, it portends healthy consumer spending ahead, given the expectations component has the best relationship with spending.

Following the data, US short-end rates pushed higher. Through to the end of next year, the market prices 81bps of Fed rate cuts, down from 88bps from a day earlier, and 118bps from a week earlier. The 2-year Treasury yield rose 5bps on the day to 4.25%, while the 10-year rate closed the day at 4.30%, the latter now having fully unwound the lift in rates post the US election.

In other key news on Friday, the much-anticipated announcement by China on fiscal easing came as a disappointment to the market. A 10 trillion yuan package (USD 1.4Tn) was unveiled which will allow local governments to refinance "hidden debt" onto public balance sheets through to 2028. This debt swap will save local governments 600 bn yuan in interest payments over the next five years, freeing up some funds to spend. But this wasn't the sort of fiscal stimulus the market was hoping for, to direct money to households to spend. Finance Minister Lan said that further support measures were still being drawn up, but this didn't mollify the market.

The reaction was a weaker yuan that spilled over into a weaker NZD and AUD, weaker Chinese equities and lower industrial prices, spanning most metals traded on the LME, and weaker iron ore prices.

The AUD was the biggest loser in FX markets on Friday, falling 1.4% to 0.6580. The NZD fell 1% to just below 0.5970. That closed off a choppy week, with an insignificant gain overall, not a bad performance, given the US election result – a Trump victory was already well priced while much higher risk appetite for the week was a

positive offsetting influence. NZD/AUD trended higher on Friday and closed the week around 0.9065.

The USD was broadly stronger on Friday, with the yen being the only major currency to make a small gain. Apart from the gain against the AUD, NZD crosses were weaker on the day.

In other economic news, Canadian jobs growth was slightly weaker than expected, but the unemployment rate was steady at 6.5%, one-tenth lower than expected and overall market reaction was minimal. The mixed report kept the market guessing whether the Bank of Canada will cut by 25bps or 50bps at the December meeting, with market pricing remaining finely balanced. On Saturday, China released inflation data and they continued to show notable PPI deflation (2.9% y/y) and CPI inflation of just 0.3% y/y, consistent with the weak domestic demand backdrop.

The domestic rates market on Friday showed further cross-market underperformance, continuing to unwind prior outperformance. NZGB yields fell 3-6bps across the curve,

with the 10-year rate down 5bps to 4.58%, taking the NZ-Australia 10-year spread back up to zero, after spending the past fortnight in negative territory. NZ swap rates were down 5-7bps across the curve.

The economic calendar is light for the day ahead, with the RBNZ survey of expectations of some interest and where the data should show well-contained, if not lower, inflation expectations. The key release in the week ahead will be US inflation data. Market focus will be directed to Trump's key Cabinet appointments, with most market interest in the US trade representative, Treasury Secretary and Secretary of State positions.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ RBNZ 2yr inflation expectations	Q4		2.03	15:00

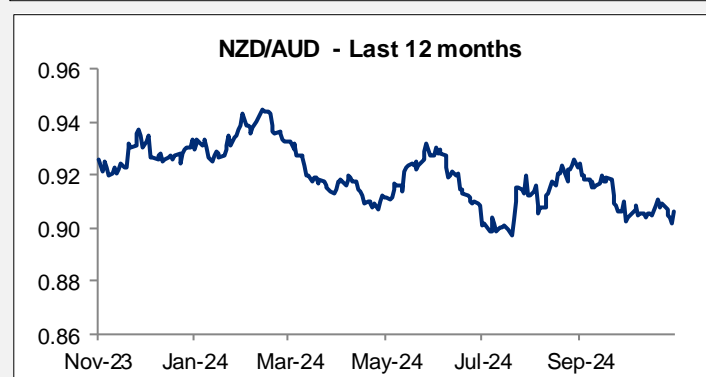
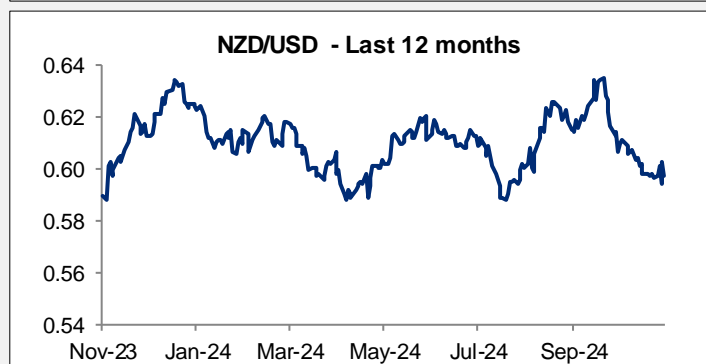
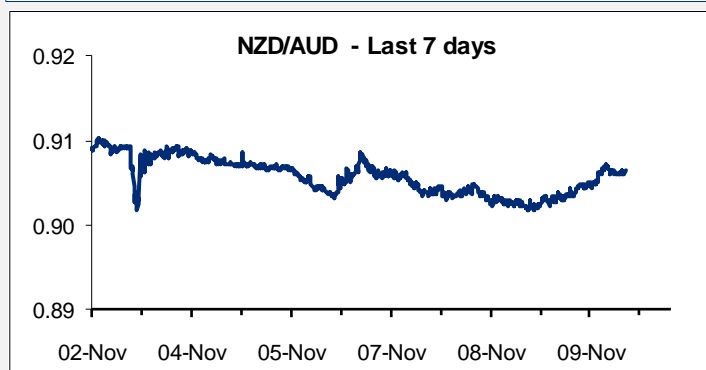
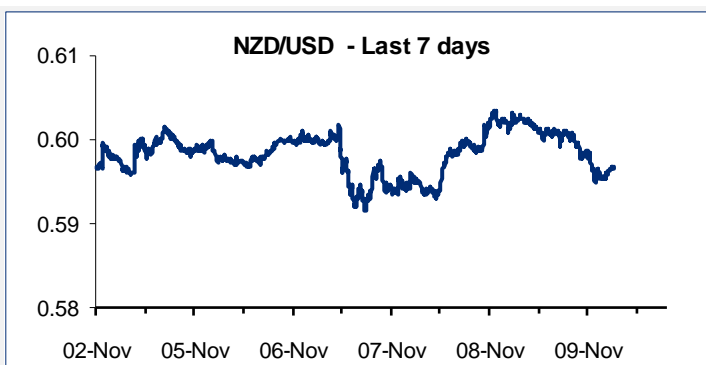
Source: Bloomberg, BNZ

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	0.5968	-0.9	0.5947	0.6014	CHF	0.8756	+0.4	S&P 500	5,996	+0.4	36.8	Oil (Brent)	73.87	-2.3
AUD	0.6584	-1.4	0.6558	0.6657	SEK	10.819	+1.3	Dow	43,989	+0.6	29.0	Oil (WTI)	70.38	-2.7
EUR	1.0719	-0.8	1.0687	1.0797	NOK	11.002	+1.3	Nasdaq	19,287	+0.1	41.3	Gold	2694.8	-0.4
GBP	1.2920	-0.5	1.2884	1.2977	HKD	7.775	+0.1	Stoxx 50	4,803	-1.0	14.4	HRC steel	707.0	+0.0
JPY	152.64	-0.2	152.14	152.96	CNY	7.185	+0.6	FTSE	8,072	-0.8	9.7	CRB	281.7	-1.6
CAD	1.3912	+0.4			SGD	1.326	+0.4	DAX	19,215	-0.8	26.1	Wheat Chic.	587.5	-0.3
NZD/AUD	0.9064	+0.5			IDR	15,672	-0.4	CAC 40	7,339	-1.2	4.2	Sugar	21.82	-1.7
NZD/EUR	0.5567	-0.1			THB	34.30	+0.9	Nikkei	39,500	+0.3	21.3	Cotton	70.98	-0.1
NZD/GBP	0.4619	-0.5			KRW	1,398	+0.9	Shanghai	3,452	-0.5	13.6	Coffee	253.1	-2.6
NZD/JPY	91.08	-1.2			TWD	32.12	-0.4	ASX 200	8,295	+0.8	18.9	WM powder	3720	-0.1
NZD/CAD	0.8302	-0.5			PHP	58.30	-0.7	NZX 50	12,770	+1.5	14.6	Australian Futures		
NZ TWI	69.86	-0.4						VIX Index	14.94	-1.7	+3.4	3 year bond	95.92	0.05
Interest Rates										10 year bond			95.46	0.02
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	4.05	3.83	USD	4.30	-0.02	15-May-26	3.95	-0.03	BKBM 1-mth	4.69	0.00	
AUD	4.35	4.42	4.07	4.55	AUD	4.58	-0.06	15-Apr-27	3.91	-0.04	BKBM 3-mth	4.49	0.01	
NZD	4.75	4.49	3.82	4.26	NZD	4.58	-0.05	15-May-28	3.96	-0.04	1 year	3.98	-0.03	
EUR	3.25	3.03	2.29	2.35	GER	2.37	-0.08	20-Apr-29	4.08	-0.04	2 year	3.82	-0.05	
GBP	4.75	5.30	4.25	4.00	GBP	4.44	-0.06	15-May-30	4.21	-0.05	3 year	3.80	-0.04	
JPY	0.23	-0.03	0.56	0.98	JPY	1.01	-0.00	15-May-31	4.33	-0.05	5 year	3.92	-0.05	
CAD	3.75	4.97	2.98	3.03	CAD	3.18	-0.04	15-May-32	4.43	-0.05	7 year	4.08	-0.06	
						NZ Inflation-Indexed Bonds				10 year			4.26	-0.07
						Sep-30	2.42	-0.02	14-Apr-33	4.51	-0.05	15 year	4.49	-0.07
						Sep-35	2.75	-0.02	15-May-34	4.58	-0.05			
						Sep-40	3.00	-0.01	15-May-35	4.66	-0.06			
									15-May-36	4.74	-0.06			
									15-May-37	4.81	-0.05			
									15-May-41	5.00	-0.05			
									15-May-51	5.13	-0.04			
									15-May-54	5.15	-0.04			

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

NZD exchange rates

9/11/2024	NY close	Prev. NY close
USD	0.5968	0.6025
GBP	0.4619	0.4639
AUD	0.9064	0.9021
EUR	0.5567	0.5576
JPY	91.08	92.15
CAD	0.8302	0.8351
CHF	0.5225	0.5256
DKK	4.1514	4.1589
FJD	1.3361	1.3622
HKD	4.6390	4.6817
INR	50.35	50.84
NOK	6.5646	6.5457
PKR	165.80	167.28
PHP	34.77	35.39
PGK	2.3604	2.3814
SEK	6.4558	6.4377
SGD	0.7909	0.7954
CNY	4.2868	4.3039
THB	20.30	20.67
TOP	1.3813	1.4028
VUV	72.26	73.16
WST	1.6205	1.6563
XPF	66.15	66.41
ZAR	10.5020	10.4270



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.14	1.54
3 Months	5.34	6.17
6 Months	13.58	14.59
9 Months	20.69	27.71
1 Year	29.61	32.61

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.57	0.25
3 Months	2.79	4.70
6 Months	14.38	17.20
9 Months	26.67	39.61
1 Year	42.14	49.92

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