

Research Markets Today

11 October 2024

Events Round-Up

US: CPI (m/m%), Sep: 0.2 vs. 0.1 exp.
US: CPI Ex Food and Energy (m/m%), Sep: 0.3 vs. 0.2 exp.
US: CPI (y/y%), Sep: 2.4 vs. 2.3 exp.
US: CPI Ex Food and Energy (y/y%), Sep: 3.3 vs. 3.2 exp.
US: Initial Jobless Claims, Oct 5: 258 vs. 230 exp.

Good Morning

US equity markets are little changed with the S&P consolidating near record highs. There was limited lasting impact from higher than expected US CPI data. Global bond yields were little changed overall, and major currencies were mixed against the US dollar. Oil prices gained with Brent crude trading back to US\$79 per barrel. Chinese equities remain volatile, and posted strong gains yesterday, as investors look ahead to the weekend briefing on fiscal policy by officials from the Ministry of Finance.

US CPI was higher than expected, representing a pause in recent progress towards moderating price pressures, but remains benign overall. Core inflation increased 0.3% in September, above consensus estimates for a 0.2% rise. This took the annual rate to 3.3%, also above the 3.2% consensus, and level from August. However, the pick-up in the core measure was driven by components that are often volatile – airfares and auto insurance – and do not influence the core PCE deflator.

US initial jobless claims totalled 258k representing a sharp increase from the previous week. That was the highest level since August 2023 and was above consensus expectations of 230k. However, the increase can mostly be attributed to the disruption caused by Hurricane Helene and strikes at Boeing.

Commentary by Fed officials generally presented a consistent tone about the need for measured rate cuts. New York Fed President Williams said policy makers should reduce rates to a more neutral level ‘over time’ now that risks to the Fed’s inflation and employment objectives are better balanced. However, Atlanta Fed President Bostic did note he was comfortable to ‘skip a meeting’ if data backed that. The market is pricing around 20bps of easing for November, and a cumulative 43bps by December, which broadly aligns with the policy makers’ projections from the September FOMC.

After an initial burst of volatility around the CPI data, 2-year treasury yields are little changed at 4.0%. The curve steepened at the margin with 10-year yields increasing 3bps to 4.10%, which is the highest level since August. The US\$22 billion 30-year auction attracted strong demand and cleared 1.5bps though the prevailing market level with the recent back up in yield attracting investors.

The US dollar was generally firmer against G10 currencies though the yen and Swiss franc outperformed. The dollar index is 0.2% higher, extending its gains since the reversal at the beginning of the month. The firmer US dollar contributed to a modest NZD/USD pullback in offshore trade. The NZD is little changed on the major crosses, except for NZD/JPY, which has traded back towards 90.40.

NZ fixed income yield ended the session higher in yield in the local session yesterday. 2-year swap rates increased 2bps to 3.67%. The 2y/10 swaps curve steepened to a fresh cycle high above 36bps with 10-year rates increasing 6bps to 4.03%. 10-year government bond yields increased 6bps to 4.36%.

There was NZ\$1.0 billion of bids for the NZ\$500 million of nominal bonds offered in the weekly government bond tender. The larger volume lines – May-28 and May-34 – both had ~2bps tails. Government bonds have outperformed over the past week relative to swaps and on a cross-market basis which may have crimped demand.

Australian 10-year government bond futures are 3bps higher in yield terms since the local close yesterday which suggests a modest upward bias for NZ yields on the open.

The NZ manufacturing PMI for September is released today. The index has been in contractionary territory for eighteen consecutive months and improved marginally to 45.8 in August. Inflation partials for September will allow some finetuning of CPI forecasts ahead of Q3 data next week.

US PPI data in conjunction with today’s CPI data, will provide inputs for the core PCE deflator, ahead of its release at the end of the month. US consumer sentiment and Canadian labour market data will also be of interest.

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Coming Up

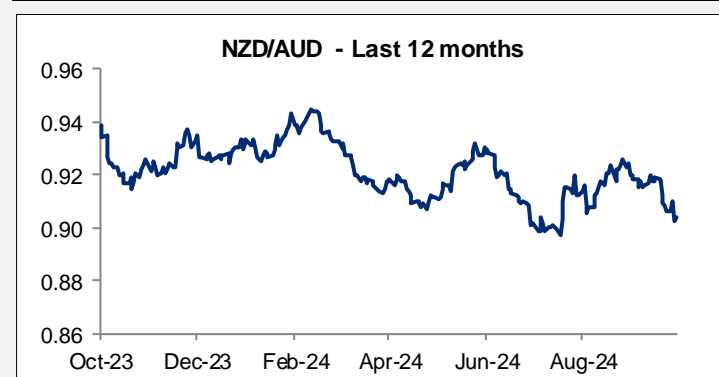
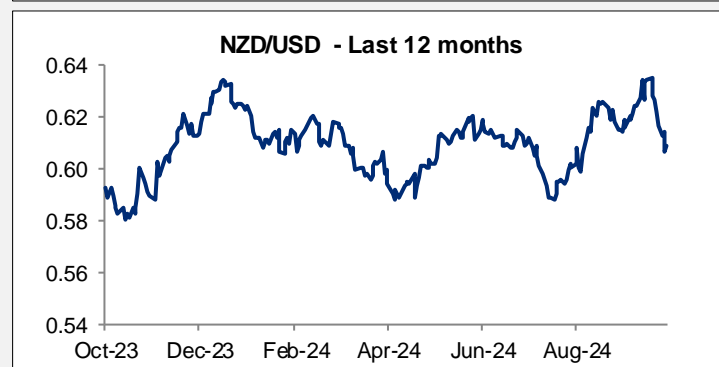
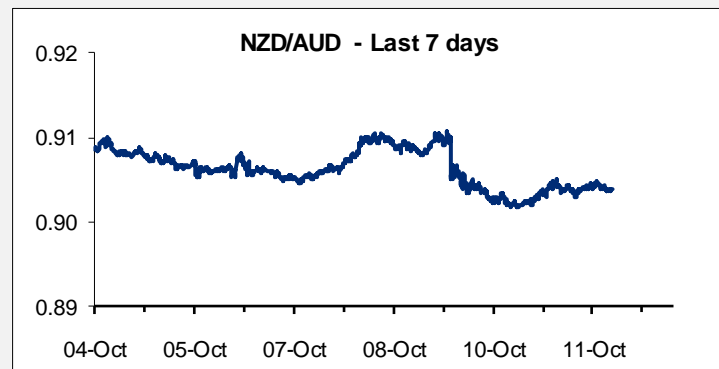
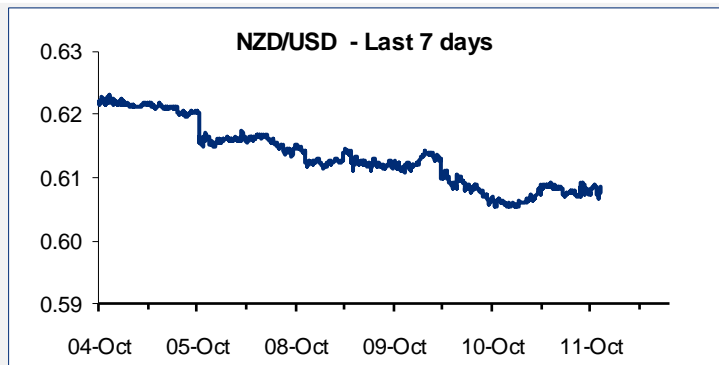
	Period	Cons.	Prev.	NZT
NZ BusinessNZ Manufacturing PMI	Sep		45.8	10:30
NZ Food Prices (m/m%)	Sep		0.2	10:45
NZ Net Migration SA	Aug		3030	10:45
UK Monthly GDP (m/m%)	Aug	0.2	0	19:00
UK Industrial Production (m/m%)	Aug	0.2	-0.8	19:00
US PPI Ex Food and Energy (m/m%)	Sep	0.2	0.3	01:30
US PPI Ex Food and Energy (y/y%)	Sep	2.6	2.4	01:30
CA Unemployment Rate	Sep	6.7	6.6	01:30
US U. of Mich. Sentiment	Oct P	71	70.1	03:00
US U. of Mich. 5-10 Yr Inflation	Oct P	3	3.1	03:00

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	0.6085	+0.4	0.6059	0.6097	CHF	0.8566	-0.5	S&P 500	5,784	-0.1	32.7	Oil (Brent)	79.57	+3.9
AUD	0.6733	+0.2	0.6703	0.6740	SEK	10.410	+0.1	Dow	42,399	-0.3	25.7	Oil (WTI)	76.10	+3.9
EUR	1.0919	-0.2	1.0900	1.0955	NOK	10.746	-0.3	Nasdaq	18,293	+0.0	34.9	Gold	2620.6	+0.6
GBP	1.3052	-0.1	1.3022	1.3094	HKD	7.770	-0.0	Stoxx 50	4,970	-0.2	18.2	HRC steel	701.0	+0.1
JPY	148.78	-0.4	148.30	149.53	CNY	7.080	-0.0	FTSE	8,238	-0.1	8.0	CRB	286.1	-0.4
CAD	1.3752	+0.3			SGD	1.308	+0.1	DAX	19,211	-0.2	24.6	Wheat Chic.	627.5	+0.8
NZD/AUD	0.9038	+0.1			IDR	15.678	+0.3	CAC 40	7,542	-0.2	5.3	Sugar	22.16	+0.4
NZD/EUR	0.5573	+0.6			THB	33.49	-0.1	Nikkei	39,381	+0.3	23.3	Cotton	72.44	+0.2
NZD/GBP	0.4662	+0.5			KRW	1,354	+0.5	Shanghai	3,302	+1.3	7.2	Coffee	254.8	+1.9
NZD/JPY	90.53	+0.1			TWD	32.21	-0.1	ASX 200	8,223	+0.4	16.0	WM powder	3570	+0.4
NZD/CAD	0.8368	+0.7			PHP	57.32	+0.5	NZX 50	12,755	-0.2	12.8	Australian Futures		
NZ TWI	70.22	+0.4						VIX Index	21.10	+1.2	+23.9	3 year bond	96.25	-0.05
												10 year bond	95.75	-0.04
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	3.81	3.63	USD	4.10	0.03	15-May-26	3.90	0.05	BKBM 1-mth	4.88	-0.07	
AUD	4.35	4.42	3.88	4.32	AUD	4.22	0.03	15-Apr-27	3.77	0.07	BKBM 3-mth	4.65	-0.10	
NZD	4.75	4.65	3.67	4.03	NZD	4.36	0.05	15-May-28	3.81	0.07	1 year	3.99	-0.03	
EUR	3.50	3.22	2.45	2.48	GER	2.26	-0.00	20-Apr-29	3.90	0.07	2 year	3.67	0.02	
GBP	5.00	5.30	4.07	3.85	GBP	4.21	0.03	15-May-30	4.02	0.07	3 year	3.60	0.04	
JPY	0.23	-0.03	0.49	0.93	JPY	0.96	0.03	15-May-31	4.13	0.07	5 year	3.69	0.06	
CAD	4.25	4.97	3.07	3.12	CAD	3.25	-0.01	15-May-32	4.23	0.06	7 year	3.85	0.06	
								14-Apr-33	4.31	0.06	10 year	4.03	0.06	
								15-May-34	4.36	0.05	15 year	4.26	0.06	
								15-May-35	4.46	0.05				
								15-May-36	4.55	0.05				
								15-May-37	4.62	0.04				
								15-May-41	4.82	0.04				
								15-May-51	4.94	0.04				
								15-May-54	4.98	0.04				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer					NZ Inflation-Indexed Bonds									
					Sep-30	2.35	0.07							
					Sep-35	2.67	0.07							
					Sep-40	2.92	0.07							
Rates are as of: NZT 06:41														
Source: Bloomberg														

NZD exchange rates

11/10/2024 6:41 am		Prev. NY close
USD	0.6085	0.6063
GBP	0.4662	0.4639
AUD	0.9038	0.9025
EUR	0.5573	0.5543
JPY	90.53	90.53
CAD	0.8368	0.8313
CHF	0.5212	0.5219
DKK	4.1581	4.1340
FJD	1.3546	1.3537
HKD	4.7282	4.7116
INR	51.10	50.91
NOK	6.5391	6.5345
PKR	169.42	168.73
PHP	34.90	34.57
PGK	2.3751	2.3804
SEK	6.3342	6.3063
SGD	0.7959	0.7925
CNY	4.3082	4.2931
THB	20.44	20.27
TOP	1.3931	1.3938
VUV	72.62	72.37
WST	1.6324	1.6297
XPF	66.29	65.41
ZAR	10.6732	10.7042



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.96	1.25
3 Months	4.77	5.28
6 Months	9.97	11.31
9 Months	15.58	19.89
1 Year	22.63	25.63

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.65	-2.05
3 Months	-2.25	-1.07
6 Months	4.51	7.49
9 Months	15.32	23.73
1 Year	29.29	37.05

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