

# Research Markets Today

12 December 2024

## Events Round-Up

US: CPI (m/m%), Nov: 0.3 vs. 0.3 exp.  
 US: CPI ex food and energy (m/m%), Nov: 0.3 vs. 0.3 exp.  
 US: CPI (y/y%), Nov: 2.7 vs. 2.7 exp.  
 US: CPI ex food and energy (y/y%), Nov: 3.3 vs. 3.3 exp.  
 CA: Bank of Canada policy rate (%), Dec: 3.25 vs. 3.25 exp.

## Good Morning

US equities advanced with CPI data matching expectations, which clears the way for a likely 25bp rate cut, by the Federal Reserve at the FOMC next week. The S&P gained 0.9% and the Nasdaq reached a fresh record high. Treasury yields oscillated in the period surrounding the CPI release but are little changed while the US dollar gained. The NZD fell sharply in early European trade, in line with other Asian currencies, after reports of a change in China's currency policy but has since recovered.

US CPI rose by 0.3% for the third consecutive month in November taking the annual rate to 2.7%. The monthly core reading also increased 0.3% with the annual rate unchanged from October at 3.3%. The data was in line with consensus forecasts. Provisional estimates, which will be updated using inputs from the PPI release, suggest the core PCE deflator will increase 0.2% in November taking the annual rate to 2.9%.

The CPI data is the final first-tier input ahead of the December FOMC next week. A 25bp cut is now fully discounted with the market implied probability firming after the CPI report. Although the Fed is expected to make its third consecutive 25bp cut to interest rates, the trajectory next year is less certain as the disinflation process has stalled and economic activity remains resilient.

US treasury yields drifted higher into the CPI data and there was a knee-jerk move lower immediately afterwards. After the initial period of volatility, 2-year yields have settled modestly lower, while 10-year yields are little changed at 4.24%. There market looks ahead to the US\$39 billion of 10-year supply this morning.

The Bank of Canada (BOC) cut rates by 50bp to 3.25% taking the cumulative easing since the cycle began in June to 150bp. The Bank signalled that further cuts aren't guaranteed, and policy makers would assess 'the need for

further reductions in the policy rate 'one decision at a time' with guidance from incoming data. The market is pricing a slower pace of easing in 2025 with the implied terminal rate near 2.65%.

The Canadian dollar was the best performing G10 currency and gained as the BOC signalled greater caution ahead. The yen weakened after a Bloomberg report said that Bank of Japan officials see little cost to waiting to tighten policy ahead of its meeting next week.

Asian currencies including the NZD and AUD slumped in early European trade after it was reported that Chinese authorities are considering allowing the yuan to weaken next year to counter higher tariffs. The offshore yuan dropped almost 0.5% against the US dollar sending NZD/USD to fresh 2024 lows below 0.5770. The NZD has subsequently recovered and is little changed on the major crosses except NZD/JPY which is higher.

After the release of manufacturing and service sector data yesterday, we forecast the NZ economy contracted by 0.4% in Q3. This is weaker than the RBNZ's projection for a 0.2% contraction which was contained in the Bank's November Monetary Policy Statement. Q3 GDP data is released next Thursday.

NZ fixed income yields opened lower in the local session yesterday reflecting the post-RBA (and domestic close) rally in Australian rates. NZ swap rates retraced off the session lows but still ended the day lower in yield. 2-year swaps yields dropped 3bp to 3.37% with more muted declines further out the curve.

10-year government bonds closed unchanged at 4.33% after the initial rally faded. There were modest declines in yield for shorter maturities. NZDM will offer NZ\$500 million of nominal NZGBs today in the final tender of the calendar year. The split is May-28 (\$250m), May-35 (\$225m) and Apr-37 (\$25m). Tenders will restart in the second half of January and the schedule will be published on 18 December.

Turning to the day ahead, NZ electronic card transactions are released for the month of November. Labour market data is released in Australia with the consensus expecting the unemployment rate to edge higher to 4.2%. Weaker than expected Q3 GDP data and a change in RBA tone have brought forward easing expectations. There is a 70%

chance priced for 25bp cut in February, up from 30% at the beginning of December.

The ECB is expected cut rates by 25bp, taking its deposit rate to 3.0%. This is fully discounted by market pricing. Updated ECB forecasts are likely to reflect a softer inflation and growth profile. US PPI data will allow analysts to fine tune forecasts for the PCE measure of inflation released later in the month. Initial jobless claims are expected to remain steady.

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**Coming Up**

		Period Cons. Prev. NZT		
NZ	Card Spending Total (m/m%)	Nov	0.4	10:45
AU	Employment Change (k)	Nov	25	15.9 13:30
AU	Unemployment Rate	Nov	4.2	4.1 13:30
EC	ECB Deposit Facility Rate	Dec	3.0	3.25 02:15
US	PPI Ex Food and Energy (m/m%)	Nov	0.2	0.3 02:30
US	PPI Ex Food and Energy (y/y%)	Nov	3.2	3.1 02:30
US	Initial Jobless Claims	7 Dec	220	224 02:30

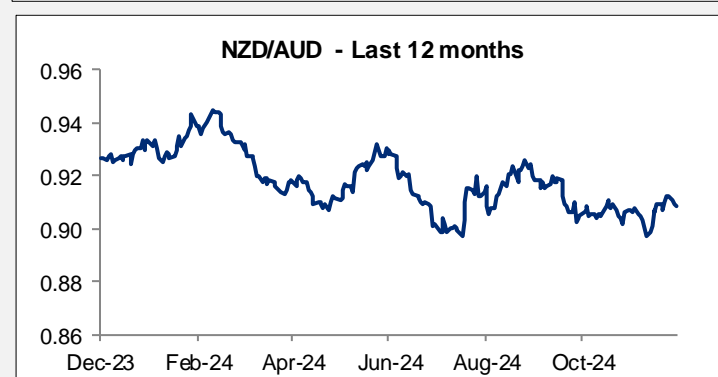
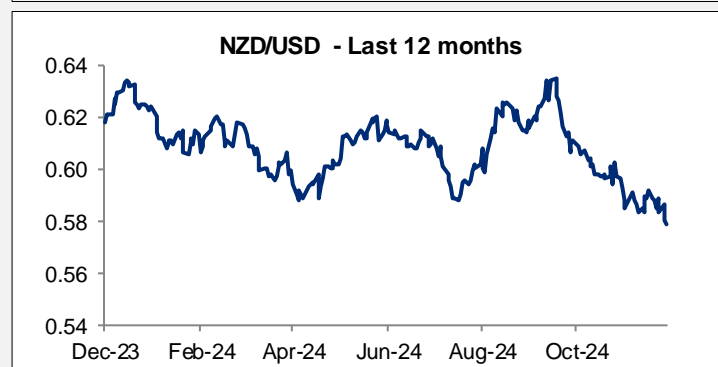
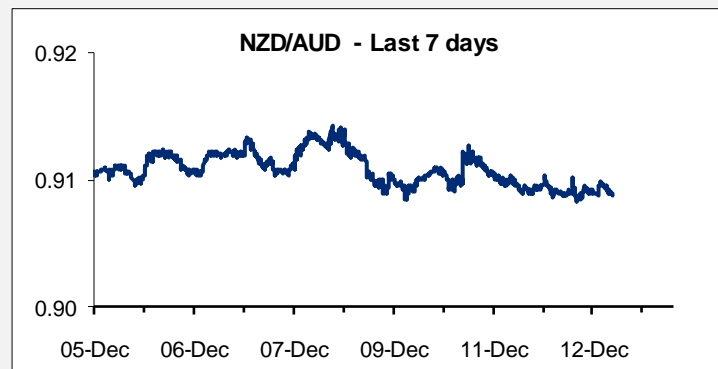
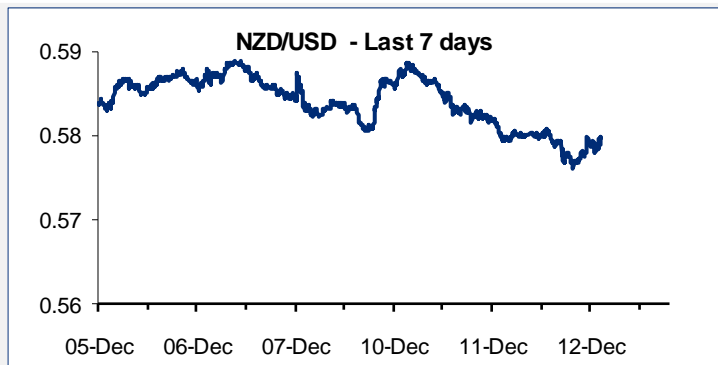
Source: Bloomberg, BNZ

<b>Currencies</b>								<b>Equities</b>				<b>Commodities</b>			
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	0.5790	-0.2	0.5762	0.5801	CHF	0.8835	+0.1	S&P 500	6,089	+0.9	31.7	Oil (Brent)	73.25	+1.5	
AUD	0.6372	-0.1	0.6337	0.6378	SEK	10.978	+0.1	Dow	44,262	+0.0	21.6	Oil (WTI)	69.91	+2.0	
EUR	1.0499	-0.3	1.0480	1.0537	NOK	11.152	+0.0	Nasdaq	20,031	+1.7	38.8	Gold	2729.8	+1.3	
GBP	1.2753	-0.2	1.2713	1.2782	HKD	7.777	+0.0	Stoxx 50	4,959	+0.2	9.2	HRC steel	678.0	+0.4	
JPY	152.47	+0.4	151.02	152.82	CNY	7.262	+0.2	FTSE	8,302	+0.3	10.0	CRB	290.5	+0.5	
CAD	1.4139	-0.3			SGD	1.344	+0.2	DAX	20,399	+0.3	21.5	Wheat Chic.	566.0	+0.8	
NZD/AUD	0.9087	-0.1			IDR	15,919	+0.3	CAC 40	7,423	+0.4	-1.7	Sugar	21.29	+1.1	
NZD/EUR	0.5515	+0.1			THB	33.88	+0.3	Nikkei	39,372	+0.0	19.9	Cotton	69.95	+0.7	
NZD/GBP	0.4540	-0.0			KRW	1,429	-0.2	Shanghai	3,432	+0.3	14.3	Coffee	321.1	-3.9	
NZD/JPY	88.28	+0.2			TWD	32.56	+0.3	ASX 200	8,354	-0.5	15.5	WM powder	3990	-0.1	
NZD/CAD	0.8186	-0.5			PHP	58.31	+0.5	NZX 50	12,761	+0.3	12.1	<b>Australian Futures</b>			
NZ TWI	68.76	-0.0						VIX Index	13.59	-4.2	+7.6	3 year bond	96.27	-0.03	
<b>Interest Rates</b>															
	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	3.95	3.75	USD	4.24	0.01	15-Apr-27	3.73	-0.02	BKBM 1-mth	4.38	0.00		
AUD	4.35	4.44	3.76	4.22	AUD	4.18	0.05	15-May-28	3.78	-0.01	BKBM 3-mth	4.30	0.00		
NZD	4.25	4.30	3.57	3.96	NZD	4.33	0.00	20-Apr-29	3.87	-0.01	1 year	3.75	-0.02		
EUR	3.25	2.87	2.10	2.15	GER	2.13	0.01	15-May-30	3.99	-0.00	2 year	3.57	-0.03		
GBP	4.75	5.30	4.11	3.84	GBP	4.32	-0.01	15-May-31	4.12	0.00	3 year	3.54	-0.03		
JPY	0.23	-0.03	0.63	1.03	JPY	1.08	0.01	15-May-32	4.22	0.01	5 year	3.64	-0.03		
CAD	3.25	4.97	2.76	2.86	CAD	3.07	0.05	14-Apr-33	4.28	0.01	7 year	3.78	-0.02		
								<b>NZ Inflation-Indexed Bonds</b>							
								Sep-30	2.26	-0.03	15-May-34	4.33	0.00		
								Sep-35	2.59	-0.03	15-May-35	4.42	0.01		
								Sep-40	2.85	-0.03	15-May-36	4.50	0.00		
											15-May-37	4.58	0.00		
											15-May-41	4.79	0.01		
											15-May-51	4.93	0.01		
											15-May-54	4.96	0.02		

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 06:20  
 Source: Bloomberg

**NZD exchange rates**

12/12/2024 6:20 am		Prev. NY close
USD	0.5790	0.5799
GBP	0.4540	0.4541
AUD	0.9087	0.9094
EUR	0.5515	0.5509
JPY	88.28	88.12
CAD	0.8186	0.8224
CHF	0.5115	0.5119
DKK	4.1128	4.1079
FJD	1.3397	1.3396
HKD	4.5026	4.5083
INR	49.12	49.21
NOK	6.4569	6.4667
PKR	161.06	160.99
PHP	33.75	33.64
PGK	2.3068	2.3104
SEK	6.3560	6.3614
SGD	0.7780	0.7782
CNY	4.2048	4.2042
THB	19.62	19.61
TOP	1.3872	1.3860
VUV	71.51	71.36
WST	1.6042	1.5993
XPF	65.64	65.66
ZAR	10.2644	10.3277



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.61	1.90
3 Months	5.00	5.42
6 Months	14.13	15.52
9 Months	24.90	26.90
1 Year	35.54	38.54

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.96	1.67
3 Months	5.40	6.63
6 Months	16.90	20.61
9 Months	29.27	34.94
1 Year	41.22	49.79

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