

Research Markets Today

12 November 2024

Events Round-Up

NZ: RBNZ 2yr inflation expectations, Q4: 2.1 vs. 2.0 prev.

Good Morning

Equity markets remained well supported to start the week. Post-election rotations continued with the economically sensitive Russell 2000 index of small-cap firms hitting the highest level since 2021. The S&P has advanced 0.2% by early afternoon in the absence of first-tier economic data or other catalysts. European equities made solid gains with the Euro Stoxx closing 1.2% higher.

Global bonds were mixed with the cash US treasury market closed for the Veterans Day public holiday. The US dollar made broad based gains against developed market currencies. Oil prices declined - Brent crude traded below US\$72 per barrel with the soft outlook on Chinese demand weighing.

There was a tepid response from China sensitive equities to the measures announced to support the economy, at the conclusion of the NPC meeting on Friday. Although policy makers outlined plans to restructure local government debt, there was little in terms of further stimulus aimed at boosting struggling sectors of the economy like housing and consumer demand. The Hang Seng China Enterprises Index closed 1.5% lower albeit off the session lows.

The US dollar extended its uptrend. The dollar index gained more than 0.5% in overnight trade, as investors continue to recalibrate positioning to align with less anticipated easing by the US Federal Reserve, and the increased risk of tariffs. CFTC data, covering currency futures positioning, shows speculative accounts had built a long dollar position ahead of the US election, albeit not to the same degree as earlier in the year. Data covering positioning changes after the election will be available at the end of the week.

EUR/USD was relatively weak within the G10 group of currencies, and traded to the lowest level since April, which was the 2024 low near 1.06. NZD/USD was marginally weaker in offshore trade, but was confined to a narrow range, after declining into the end of last week. The NZD was broadly stable on the major cross rates with

NZD/EUR, which traded back towards 0.5600, the only mover of note.

The cash US treasury market is closed while futures are open and imply that 10-year yields are ~3bp higher, compared with the 4.30% close at the end of last week. European bond markets are generally lower in yield. German 10-year bunds closed 4bp lower at 2.32% in a parallel curve shift.

It was a quiet session for NZ fixed income in the local session yesterday. 2-year swap rates closed 2bp higher at 3.83%. There was limited market reaction to Q4 2-year inflation expectations data, which increased marginally to 2.1%, compared with 2.0% in Q3. Longer term inflation expectations, while benign overall, picked up relative to Q3. This supports the case for a 50bp RBNZ cut in November, rather than 75bp move, for which there is still around a 20% chance priced.

10-year NZ government bonds closed 1bp lower at 4.56%. Australian 10-year government bond futures little changed since the local close yesterday which suggests limited directional bias for NZ yields on the open.

NZ card spending for October is released today with recent monthly data revealing consistently weak retail activity. The NAB Business Survey and consumer sentiment will be the focus in Australia. In Europe, the German ZEW survey will be monitored for any hit to sentiment from the US election while labour market data is released in the UK. Influential Fed Governor Waller is speaking early tomorrow morning (NZT), and the Fed also publishes its Senior Loan Officer Opinion Survey.

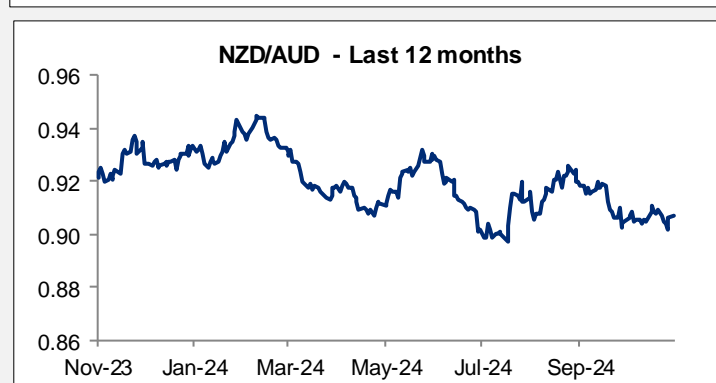
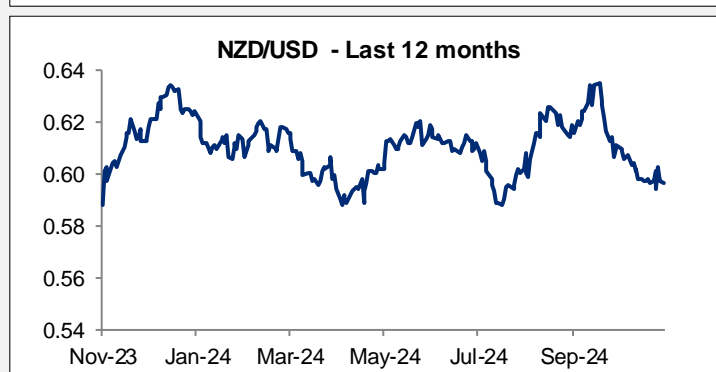
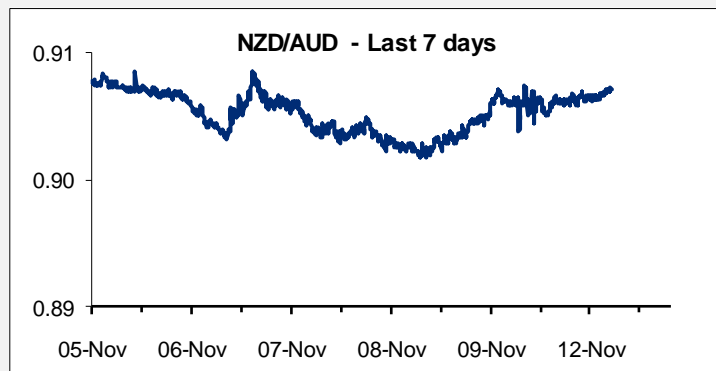
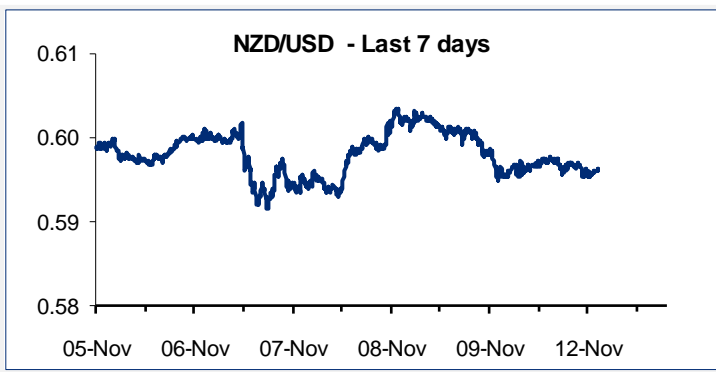
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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Card Spending Total (m/m%)	Oct		0.3	10:45
AU	Westpac Consumer Conf Index	Nov		89.8	12:30
AU	NAB Business Conditions	Oct		7	13:30
UK	ILO Unemployment Rate 3Mths	Sep	4.1	4	20:00
UK	Wkly earnings ex bonus (y/y%)	Sep	4.7	4.9	20:00
GE	ZEW Survey Expectations	Nov	13.2	13.1	23:00
US	NFIB Small Business Optimism	Oct	92	91.5	00:00
US	Fed's Waller Speaks at Banking Conference				04:00

NZD exchange rates

12/11/2024 6:24 am		Prev. NY close
USD	0.5961	0.5967
GBP	0.4632	0.4618
AUD	0.9072	0.9064
EUR	0.5596	0.5567
JPY	91.69	91.08
CAD	0.8298	0.8301
CHF	0.5246	0.5225
DKK	4.1737	4.1514
FJD	1.3496	1.3361
HKD	4.6353	4.6390
INR	50.30	50.35
NOK	6.5874	6.5646
PKR	165.63	165.66
PHP	34.94	34.77
PGK	2.3580	2.3604
SEK	6.4704	6.4558
SGD	0.7951	0.7909
CNY	4.3009	4.2868
THB	20.49	20.30
TOP	1.3815	1.3813
VUV	72.34	72.26
WST	1.6186	1.6205
XPF	66.18	66.15
ZAR	10.6971	10.5020



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.23	1.67
3 Months	5.64	6.26
6 Months	14.41	15.42
9 Months	23.86	26.00
1 Year	31.54	34.54

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.49	0.45
3 Months	3.15	4.64
6 Months	15.51	18.39
9 Months	31.32	36.84
1 Year	44.63	53.18

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