

# Research Markets Today

13 December 2024

## Events Round-Up

NZ: Card spending (m/m%), Nov: -0.1 vs. 0.2 prev.

AU: Employment change (k), Nov: 36 vs. 25 exp.

AU: Unemployment rate (%), Nov: 3.9 vs. 4.2 exp.

EC: ECB deposit facility rate, Dec: 3.0 vs. 3.0 exp.

US: PPI ex food and energy (m/m%), Nov: 0.2 vs. 0.2 exp.

US: PPI ex food and energy (y/y%), Nov: 3.4 vs. 3.2 exp.

US: Initial jobless claims (k), wk to 7 Dec: 242 vs. 220 exp.

## Good Morning

Movements have been modest across asset markets. The S&P500 is down 0.2% in early afternoon trading and the Nasdaq index is down 0.2% after closing above 20,000 yesterday for the first time. Deteriorating market breadth has been noted by some, with the S&P500 on track to record its ninth consecutive day of negative breadth (more stocks falling than rising), a rare feat and indicative of some underlying weakness in the market despite the headline indices that are widely quoted.

In US economic news, the core PPI inflation figure met expectations with a 0.2% m/m lift, but upward revisions saw the annual figure coming in two-tenths higher than expected at 3.4% y/y. The headline measure was also higher than expected. However, of more importance, the components that feed into the PCE deflator, the inflation measure targeted by the Fed, were weaker than expected, leading some economists to downgrade their estimate of the core PCE deflator from 0.2% m/m to 0.1%, which would be the smallest increase in six months.

Initial jobless claims rose 17k last week to 242k, defying expectations for a small drop. Seasonality in the figures can be problematic around the Thanksgiving holiday so not too much should be read into the jump higher.

The US data reinforced market expectations that the Fed would cut its policy rate by 25bps next week, which is fully priced, and a strong consensus has been building that policy will pause in January, and with a much slower pace of easing next year, with about three 25bps rate cuts spread over 2025. The US 2-year Treasury yield showed signs of consolidation, with little net change and currently 4.16%. The longer end of the curve was weighed by a 30-year bond auction, due as we go to print, with the 10-year

rate pushing up to 4.3%, up a couple of basis points from the NZ close.

The ECB cut its policy rates by 25bps for a third successive meeting, taking the deposit rate down to 3.0%, as widely expected, with rates now having been cut by 100bps so far this cycle. Prior language that policy would remain “sufficiently restrictive for as long as necessary” was dropped and replaced with policy “will follow a data-dependent and meeting-to-meeting approach”. President Lagarde said that there was some discussion of moving by a larger 50bps, but the GC unanimously agreed to cut by 25bps.

The ECB’s new forecasts showed small downward revisions to CPI inflation and growth forecasts, although President Lagarde noted they did not incorporate any potential disruption to world trade resulting from policy moves by the incoming US government. The market continues to see the ECB steadily cutting rates further next year by at least another 125bps, although European yields pushed higher, with German bund yields up 7-8bps across the curve, with the ECB evidently not as dovish as some expected. EUR showed some volatility around the announcement but currently trades close to 1.05, little changed overnight.

In China, the Statement following a two-day economic conference by the country’s leaders highlighted “conviction” to support growth next year in a “high quality” way, although there was little specific news. Some emphasis was given on boosting household demand, with “special action” to boost consumption and promote income growth. On the currency, China would continue to maintain its basic stability to keep it at a reasonable equilibrium.

Yesterday, Australia’s labour market report was strong, with the unemployment rate falling two-tenths to an eight-month low of 3.9% in November, defying market expectations for a nudge up to 4.2%. Australia rates rose, fully unwinding the move seen after the RBA’s dovish pivot on Tuesday. The market sees a reduced chance of the RBA cutting as soon as February, although the meeting is still seen as finely balanced – softer labour market and inflation data would need to emerge ahead of that meeting for the RBA to act.

The AUD jumped following the data, but met some resistance just under 0.6430 overnight and it currently sits back below 0.64. The NZD went along for the ride and

traded above 0.58 for a while before reversing course and currently around 0.5785, little changed from this time yesterday. NZD/AUD weakened to almost 0.9040 and currently sits around 0.9065.

CHF is the weakest of the majors, after the Swiss National Bank opted for a larger 50bps rate cut. GBP is also on the soft side of the ledger, seeing NZD/GBP pushing up to 0.4555. NZD/EUR is slightly softer, trading at 0.5510.

In the domestic rates market, NZ rates followed higher Australian yields after the noted labour market report, which was a welcome development ahead of the government’s weekly bond tender. Strong demand was again evident for the shorter dated bonds (2028s) on offer while demand was tepid for the 2035s. For the day, the curve was notably steeper, with yields closing 2-6bps higher. Similar moves were seen in the swap market, with the 2-year rate up 2bps to 3.59% and the 10-year rate up 6bps to 4.02%. NZ electronic card transactions data continued to point to soft spending conditions in the economy, with the total falling 0.1% m/m in November,

continuing the flat trend for the best part of two years, or negative growth in real terms.

In the day ahead the NZ manufacturing PMI and Japan’s Tankan business survey are released during NZ trading hours. UK monthly GDP data are released tonight.

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**Coming Up**

		Period Cons. Prev. NZT			
NZ	Manufacturing PMI	Nov	45.8	10:30	
NZ	Net migration	Oct	2310	10:45	
JN	Tankan large mfg index	Q4	13	13	12:50
UK	GfK consumer confidence	Dec	-18	-18	13:01
UK	Industrial production (m/m%)	Oct	0.3	-0.5	20:00
UK	GDP (m/m%)	Oct	0.1	-0.1	20:00
EC	Industrial production (m/m%)	Oct	0.0	-2	23:00

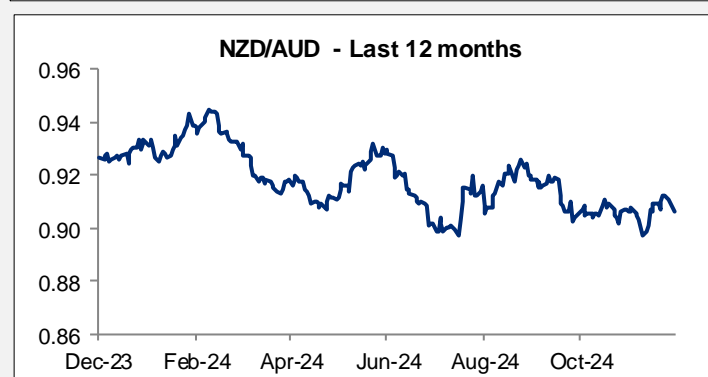
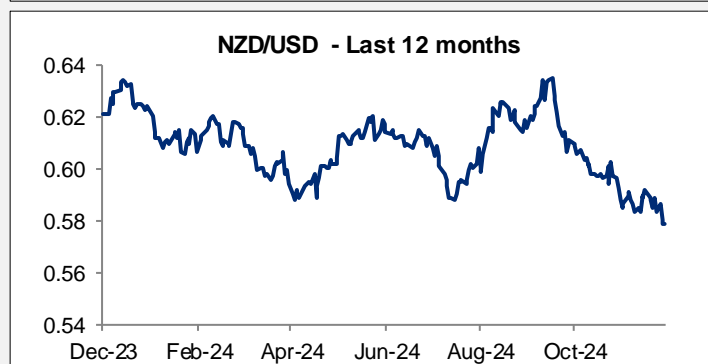
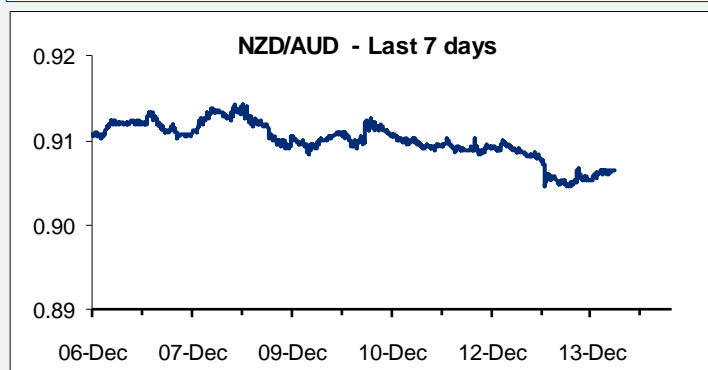
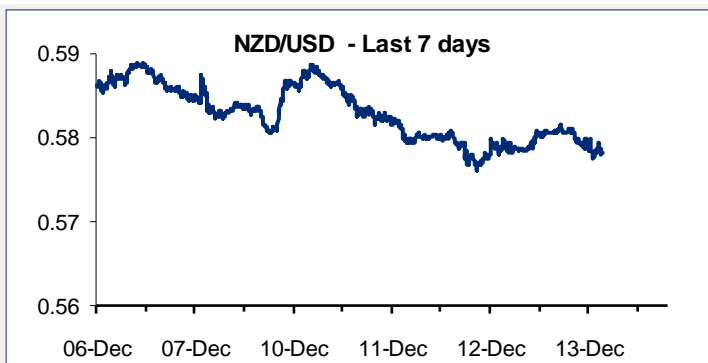
Source: Bloomberg, BNZ

Currencies					Equities					Commodities				
FX Majors		Indicative overnight ranges (*)			Other FX			Major Indices			Price (Near futures, except CRB)			
	Last	% Day	Low	High		Last	% Day			Last	Net Day			
NZD	0.5783	-0.0	0.5771	0.5818	CHF	0.8892	+0.6	S&P 500	6,070	-0.2	30.7	Oil (Brent)	73.65	+0.2
AUD	0.6380	+0.2	0.6368	0.6429	SEK	10.984	+0.1	Dow	44,066	-0.2	20.5	Oil (WTI)	70.34	+0.0
EUR	1.0500	+0.1	1.0464	1.0531	NOK	11.130	-0.2	Nasdaq	20,007	-0.1	37.7	Gold	2685.6	-1.7
GBP	1.2703	-0.4	1.2672	1.2788	HKD	7.774	-0.0	Stoxx 50	4,966	+0.1	9.5	HRC steel	675.0	-0.3
JPY	152.26	-0.1	151.81	152.77	CNY	7.269	+0.1	FTSE	8,312	+0.1	10.2	CRB	293.7	+1.1
CAD	1.4192	+0.2			SGD	1.345	+0.0	DAX	20,426	+0.1	21.6	Wheat Chic.	556.8	-1.2
NZD/AUD	0.9064	-0.2			IDR	15,945	+0.2	CAC 40	7,421	-0.0	-1.6	Sugar	20.84	-2.1
NZD/EUR	0.5508	-0.1			THB	33.95	+0.3	Nikkei	39,849	+1.2	21.0	Cotton	70.32	+0.2
NZD/GBP	0.4552	+0.4			KRW	1,430	+0.1	Shanghai	3,462	+0.8	16.6	Coffee	317.0	-1.0
NZD/JPY	88.05	-0.1			TWD	32.51	-0.2	ASX 200	8,330	-0.3	14.8	WM powder	3965	-0.6
NZD/CAD	0.8207	+0.2			PHP	58.25	-0.1	NZX 50	12,693	-0.5	10.6	<b>Australian Futures</b>		
NZ TWI	68.70	-0.0						VIX Index	13.74	+1.2	+13.8	3 year bond	96.16	-0.11
<b>Interest Rates</b>										10 year bond			95.69	-0.10
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	3.98	3.81	USD	4.30	0.03	15-Apr-27	3.75	0.02	BKBM 1-mth	4.38	0.00	
AUD	4.35	4.45	3.87	4.32	AUD	4.26	0.08	15-May-28	3.81	0.02	BKBM 3-mth	4.29	-0.01	
NZD	4.25	4.29	3.59	4.02	NZD	4.39	0.06	20-Apr-29	3.90	0.03	1 year	3.75	-0.00	
EUR	3.25	2.89	2.16	2.22	GER	2.21	0.08	15-May-30	4.02	0.03	2 year	3.59	0.02	
GBP	4.75	5.30	4.13	3.89	GBP	4.36	0.05	15-May-31	4.15	0.04	3 year	3.56	0.02	
JPY	0.23	-0.03	0.62	1.02	JPY	1.05	-0.02	15-May-32	4.26	0.04	5 year	3.68	0.04	
CAD	3.25	4.97	2.79	2.90	CAD	3.12	0.03	14-Apr-33	4.33	0.05	7 year	3.84	0.05	
					NZ Inflation-Indexed Bonds			15-May-34	4.39	0.06	10 year	4.02	0.06	
					Sep-30	2.28	0.02	15-May-35	4.48	0.06	15 year	4.22	0.06	
					Sep-35	2.61	0.02	15-May-36	4.56	0.06				
					Sep-40	2.86	0.01	15-May-37	4.65	0.06				
								15-May-41	4.86	0.06				
								15-May-51	4.99	0.06				
								15-May-54	5.03	0.06				

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 07:00  
 Source: Bloomberg

**NZD exchange rates**

13/12/2024	7:00 am	Prev. NY close
USD	0.5783	0.5785
GBP	0.4552	0.4537
AUD	0.9064	0.9083
EUR	0.5508	0.5512
JPY	88.05	88.19
CAD	0.8207	0.8191
CHF	0.5142	0.5115
DKK	4.1067	4.1104
FJD	1.3396	1.3401
HKD	4.4958	4.4976
INR	49.08	49.08
NOK	6.4364	6.4492
PKR	160.86	160.81
PHP	33.68	33.73
PGK	2.3031	2.3048
SEK	6.3519	6.3496
SGD	0.7780	0.7779
CNY	4.2038	4.2016
THB	19.57	19.61
TOP	1.3878	1.3757
VUV	71.19	71.35
WST	1.6090	1.6086
XPF	65.72	65.59
ZAR	10.2682	10.2390



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.36	1.74
3 Months	4.87	5.41
6 Months	13.95	15.12
9 Months	24.76	27.16
1 Year	35.74	38.74

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.67	1.52
3 Months	5.46	6.87
6 Months	18.68	21.89
9 Months	32.80	38.84
1 Year	46.93	55.13

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