

# Research Markets Today

14 November 2024

## Events Round-Up

NZ: Net Migration SA (k), Sep: 2.3 vs. 2.0 prev.  
 AU: Wage Price Index (y/y%), 3Q: 3.5 vs. 3.6 exp.  
 AU: Wage Price Index (q/q%), 3Q: 0.8 vs. 0.9 exp.  
 US: CPI (m/m%), Oct: 0.2 vs. 0.2 exp.  
 US: CPI Ex Food and Energy (m/m%), Oct: 0.3 vs. 0.3 exp.  
 US: CPI (y/y%), Oct: 2.6 vs. 2.6 exp.  
 US: CPI Ex Food and Energy (y/y%), Oct: 3.3 vs. 3.3 exp.

## Good Morning

After the selloff in the previous session, front end US treasuries recovered following CPI data that matched expectations and raised expectations of a December rate cut by the Federal Reserve. US equity markets are little changed with major indices continuing to consolidate after the strong post-election rally. The US dollar extended its recent gains against G10 currencies.

US CPI data for October matched expectations. Headline inflation increased 0.2% on the month, taking the annual rate to 2.6%, up from 2.4% in September. Core CPI rose 3.3% on an annual basis. As has been the case for some time, housing accounted for most of the increase in core CPI. The super core services measure increased 0.3% on the month, down from 0.4% in September, which provided some comfort to the market.

The on-expectations CPI print prompted a relief rally in US treasuries led by the front end of the curve. 2-year yields fell 7bp to 4.27% with the market firming up expectations for a 25bp cut at the December FOMC. There is 21bp of easing priced, up from 15bp ahead of the CPI data. 10-year yields are little changed at 4.42% having retraced after a temporary dip in response to the CPI print.

German bunds were little changed while 5-year JGB yields closed 3bp higher at 0.68%, the highest level since November 2009.

The US dollar extended its uptrend overnight despite the pullback in front end yields. The dollar index is testing the 2024 high reached in April. USD/JPY traded above 155 for the first time since July and towards levels where Japanese authorities have previously intervened to provide support. EUR/USD fell to a fresh 2024 low towards 1.0550.

The Peoples Bank of China (PBOC) signalled some discomfort with the recent yuan weakness set against the threat of higher US tariffs under the Trump administration. The PBOC set the fix stronger than expected yesterday by the widest margin since August, which if sustained, is typically associated with pushing back against market pricing.

The stronger CNY fix contributed to a modest NZD/USD rebound in the Asian session but that proved short-lived. The NZD fell below 0.5900 against the dollar overnight and looks set to test the August low near 0.5850 in coming sessions. The NZD is little changed against the AUD but modestly weaker on the other major cross rates.

NZ fixed income yields ended the local session yesterday higher in yield reflecting the move in offshore markets. Swap rates closed 4-5bp higher across the curve. 2-year rates ended the session at 3.93%, well above the 3.50% low at the beginning of October. The market has continued to push the terminal cash rate higher, which largely reflects offshore dynamics and positioning, rather than domestic fundamentals.

Government bonds underperformed the moves in the swaps. 10Y NZGB yields increased 7bp to 4.66% to the highest level since July. New Zealand Debt Management (NZDM) is tendering NZ\$500 million of nominal NZGBs split across Apr-29 (\$200m), May-35 (\$250m) and Apr-37 (\$50m). NZDM are offering the nominal 2035 maturity for the second consecutive week with the line attracting solid demand in the previous tender.

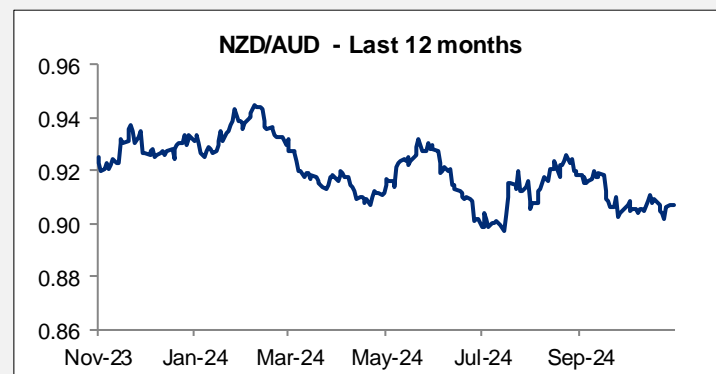
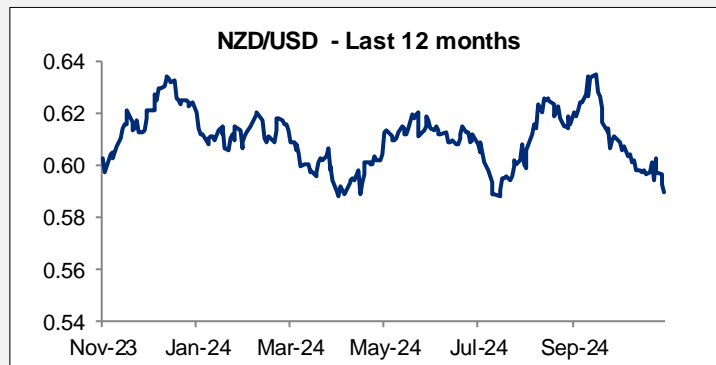
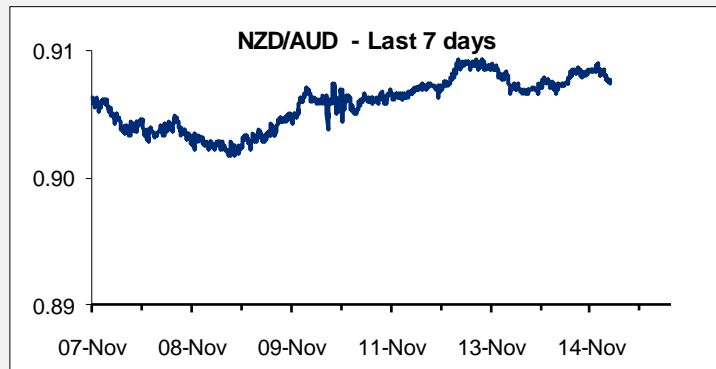
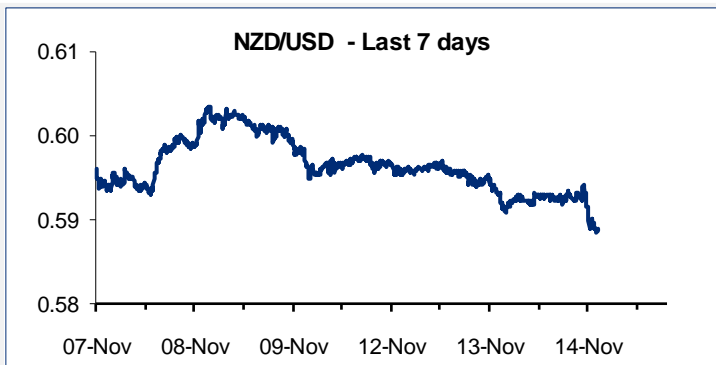
Australian 10-year government bond futures are ~4bp lower in yield terms, since the local close yesterday, suggesting a downwards bias for NZ yields on the open.

NZ selected price indicators for October will be closely monitored to assess how inflation is tracking to start Q4. RBA Governor Bullock is appearing on a panel, but it is unlikely she will provide additional information on the policy outlook, given the limited data since the November policy meeting. Australian labour market for October is expected to show the unemployment remained unchanged at 4.1%.



**NZD exchange rates**

14/11/2024	6:17 am	Prev. NY close
USD	0.5891	0.5926
GBP	0.4631	0.4649
AUD	0.9074	0.9071
EUR	0.5570	0.5578
JPY	91.45	91.62
CAD	0.8235	0.8263
CHF	0.5209	0.5225
DKK	4.1549	4.1611
FJD	1.3425	1.3505
HKD	4.5838	4.6092
INR	49.71	50.01
NOK	6.5484	6.5621
PKR	163.69	164.52
PHP	34.61	34.86
PGK	2.3321	2.3451
SEK	6.4658	6.4599
SGD	0.7903	0.7930
CNY	4.2615	4.2873
THB	20.43	20.62
TOP	1.3678	1.3872
VUV	71.76	71.98
WST	1.6213	1.6256
XPF	65.63	65.88
ZAR	10.7311	10.7325



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.49	1.75
3 Months	5.21	5.69
6 Months	12.05	13.11
9 Months	19.49	21.55
1 Year	26.03	29.03

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.22	0.39
3 Months	3.33	4.60
6 Months	14.75	17.41
9 Months	29.28	34.48
1 Year	43.36	50.92

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