

# Research Markets Today

14 October 2024

## **Events Round-Up**

NZ: Manufacturing PMI, Sep: 46.9 vs. 45.8 prev.

NZ: Food Prices (m/m%), Sep: 0.5 vs. 0.2 prev.

NZ: Net Migration SA, Aug: 1840 vs. 3030 prev.

UK: Monthly GDP (m/m%), Aug: 0.2 vs. 0.2 exp.

UK: Industrial Production (m/m%), Aug: 0.5 vs. 0.2 exp.

US: PPI Ex Food and Energy (m/m%), Sep: 0.2 vs. 0.2 exp.

US: PPI Ex Food and Energy (y/y%), Sep: 2.8 vs. 2.6 exp.

US: U. of Mich. Sentiment, Oct P: 68.9 vs. 71 exp.

US: U. of Mich. 5-10 Yr Inflation, Oct P: 3.0 vs. 3 exp.

CA: Unemployment Rate, Sep: 6.5 vs. 6.7 exp.

CH: PPI YoY, Sep: -2.8 vs. -2.6 exp. CH: CPI YoY, Sep: 0.4 vs. 0.6 exp.

## **Good Morning**

Global equity markets were well supported into the weekly close. The S&P closed above 5800 at another record high as banking stocks gained after reporting solid earnings. The KBW Bank Index hit the highest level since April 2022, on the back of better-than-expected results from JPMorgan and Wells Fargo. Both banks provided a positive commentary on the economy which supported the soft landing narrative. Global bond markets ended modestly higher in yield and the US dollar was stable against major currencies.

US core producer prices increased 0.2% in September which was in line with expectations. On an annual basis, core PPI increased 2.8%. With the bulk of the inputs for the core PCE deflator now available, economists' forecasts are converging on 0.2%. This skews risks towards core PCE being slightly higher relative to the Fed's Q4 2024 projections from the September FOMC.

The University of Michigan's consumer sentiment index pulled back from a five-month high. Sentiment slipped to 68.9 in October, down from 70.1 in September with the upcoming presidential election perhaps creating some uncertainty over the trajectory of the economy. Consumer spending is more closely correlated with the expectations component, which slipped to 72.9, but remains above its Q3 average.

Medium-term inflation expectations decreased to 3.0%, from 3.1% in September, but remains some way above its

pre-Covid average near 2.5%. Consumers expectations are lagging the fall in actual inflation and are likely to decrease going forward and shouldn't impact the Fed's easing cycle.

The data didn't impact market pricing for Fed rate cuts with Fed funds futures continuing to imply 22bps easing for November and a cumulative 45bps by the December FOMC. US treasuries closed modestly higher in yield, led by the back end of the curve. 10-year notes closed 4bps higher at 4.10%. The curve continued to steepen - 2y/10y UST traded to +15bps - up from close to flat at the beginning of last week. Major European markets were little changed.

The weekend briefing on fiscal policy by China's Minister of Finance Lan Fo'an outlined plans to issue more debt to boost the property market, recapitalise banks and assist local governments. He didn't outline the amount of funding but signalled that further details would be available when China's legislature meets in coming weeks, and that more countercyclical adjustments were under discussion. The market is looking for fiscal support, to back up monetary stimulus to reflate the economy, and put it on a more positive trajectory.

Chinese inflation data was released yesterday and highlighted the weakness in domestic demand. CPI increased 0.4% on an annual basis, and the core measure which strips out food and energy, only increased 0.1%. Meanwhile PPI fell 2.8%, extending the period of declining prices to almost two years.

Currency markets were little changed with the dollar index consolidating its recent gains after a ~3% rally since the end of September. After an initial dip towards 0.6085, NZD/USD closed the week modestly higher near 0.6110 and was little changed on the major cross rates.

NZ fixed income ended the session higher in yield in the local session on Friday. There was limited market reaction to the monthly selected price indicators for September. We increased our forecast to 2.3% (previously 2.2%) for Q3 headline CPI which is released on Wednesday. This aligns with the RBNZ's forecast from the August Monetary Policy Statement. 2-year swap rates increased 4bps to 3.71% with a largely parallel curve shift. 10-year NZGB yields closed at 4.39%, also 4bps higher on the day.

www.bnz.co.nz/research

Markets Today 14 October 2024

NZ LGFA announced in its quarterly funding update that its annual borrowing requirement had decreased to \$5.15 billion, from \$5.4 billion, due to council borrowing being below forecast.

Australian 10-year government bond futures are 2bps higher in yield terms since the local close yesterday which suggests a modest upward bias for NZ yields on the open.

The NZ services sector PMI for September is released today. The manufacturing equivalent saw a further modest increase on Friday but has remained in contractionary territory for nineteen consecutive months. Electronic card transactions data for September is also released and Governor Orr is speaking though the speech is unlikely to be market moving. There is no international data of note.

## stuart.ritson@bnz.co.nz

## **Coming Up**

		Period	Cons.	Prev.	NZT
NZ	RBNZ Governor Orr Speaks				09:15
NZ	Performance Services Index	Sep		45.5	10:30
NZ	Card Spending Total (m/m%)	Sep		-0.2	10:45
	Card Spending Retail (m/m%)	Sep		0.2	10:45

Source: Bloomberg, BNZ

Currenci	ies							Equities				Commodities	5	
FX Majors	Inc	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	0.6109	+0.3	0.6084	0.6120	CHF	0.8572	+0.0	S&P 500	5,815	+0.6	34.4	Oil (Brent)	79.04	-0.5
AUD	0.6751	+0.2	0.6725	0.6759	SEK	10.374	-0.1	Dow	42,864	+1.0	27.3	Oil (WTI)	75.56	-0.4
EUR	1.0937	+0.0	1.0926	1.0954	NOK	10.696	-0.5	Nasdaq	18,343	+0.3	36.8	Gold	2657.6	+1.4
GBP	1.3068	+0.1	1.3042	1.3083	HKD	7.771	+0.0	Stoxx 50	5,004	+0.7	21.0	HRC steel	705.0	+0.6
JPY	149.14	+0.4	148.66	149.28	CNY	7.067	-0.1	FTSE	8,254	+0.2	8.6	CRB	291.0	+0.1
CAD	1.3764	+0.1			SGD	1.305	-0.1	DAX	19,374	+0.8	27.6	Wheat Chic.	621.8	-0.8
NZD/AUD	0.9049	+0.1			IDR	15,578	-0.6	CAC 40	7,578	+0.5	8.2	Sugar	22.24	+0.4
NZD/EUR	0.5586	+0.3			THB	33.16	-0.8	Nikkei	39,606	+0.6	22.6	Cotton	72.21	-0.6
NZD/GBP	0.4675	+0.2			KRW	1,351	-0.3	Shanghai	3,218	-2.5	4.2	Coffee	252.1	-1.1
NZD/JPY	91.11	+0.7			TWD	32.17	-0.1	ASX 200	8,215	-0.1	16.5	WM powder	3580	+0.3
NZD/CAD	0.8408	+0.4			PHP	57.22	-0.2	NZX 50	12,846	+0.7	14.0	Australian Fu	tures	
NZ TW I	70.42	+0.2						VIX Index	20.46	-2.2	+5.9	3 year bond	96.26	0.01
Interest F	Rates											10 year bond	95.75	-0.02
	Rates		Swap Yie	elds	Benchr	nark 10 Y	r Bonds	NZ Governm	ent Bond	S		NZ BKBM and	l Swap Yi	elds
•	Cash	3Mth	2 Yr	10 Yr		Last	Net Day			Last	Chg		Last	Chg
USD	5.00	4.85	3.76	3.63	USD	4.10	0.04	15-May-26		3.95	0.06	BKBM 1-mth	4.88	0.00
AUD	4.35	4.42	3.88	4.31	AUD	4.23	0.00	15-Apr-27		3.83	0.06	BKBM 3-mth	4.64	-0.01
NZD	4.75	4.64	3.72	4.08	NZD	4.40	0.04	15-May-28		3.88	0.06	1 year	4.03	0.04
EUR	3.50	3.18	2.44	2.47	GER	2.27	0.01	20-Apr-29		3.97	0.06	2 year	3.72	0.05
GBP	5.00	5.30	4.03	3.83	GBP	4.21	-0.00	15-May-30		4.09	0.07	3 year	3.65	0.05
JPY	0.23	-0.03	0.49	0.93	JPY	0.95	-0.01	15-May-31		4.19	0.07	5 year	3.75	0.06
CAD	4.25	4.97	2.99	3.10	CAD	3.22	-0.01	15-May-32		4.29	0.06	7 year	3.90	0.05
								14-Apr-33		4.35	0.05	10 year	4.08	0.05
								15-May-34		4.40	0.04	15 year	4.30	0.04
								15-May-35		4.49	0.04			
					NZ Infla	tion-Inde	exed Bonds	15-May-36		4.58	0.03			
* These are indicative ranges from 5pm NZT; Sep-30 2.38 0.02			15-May-37		4.65	0.03								
please confirm rates with your BNZ dealer Sep-35 2.69 0.02				15-May-41		4.85	0.03							
Rates at NY close Sep-40 2.94 0.02				15-May-51		4.97	0.03							
Source: Bloombera						15-May-54		5.00	0.02					

www.bnz.co.nz/research Page 2

Markets Today 14 October 2024

NZD exchange rates							
13/10/2024	_	Prev. NY close					
USD	0.6109	0.6093					
GBP	0.4675	0.4666					
AUD	0.9049	0.9041					
EUR	0.5586	0.5573					
JPY	91.11	90.52					
CAD	0.8408	0.8373					
CHF	0.5237	0.5222					
DKK	4.1678	4.1579					
FJD	1.3648	1.3668					
HKD	4.7478	4.7343					
INR	51.37	51.17					
NOK	6.5351	6.5490					
PKR	170.12	169.57					
PHP	34.96	34.95					
PGK	2.4008	2.3801					
SEK	6.3383	6.3288					
SGD	0.7972	0.7955					
CNY	4.3178	4.3117					
THB	20.37	20.47					
TOP	1.3982	1.4104					
VUV	73.12	72.71					
WST	1.6419	1.6357					
XPF	65.92	66.35					
ZAR	10.6444	10.6830					

## **NZD/USD Forward Points**

	<b>BNZ</b> buys NZD	BNZ sells NZD
1 Month	1.00	1.32
3 Months	4.53	5.43
6 Months	9.29	10.29
9 Months	13.54	17.36
1 Year	18 37	21.37

## **NZD/AUD Forward points**

	BNZ buys NZD	<b>BNZ Sells NZD</b>
1 Month	-2.59	-2.00
3 Months	-2.46	-0.50
6 Months	4.27	6.93
9 Months	14.69	22.20
1 Year	26.92	34.50









www.bnz.co.nz/research Page 3

**Markets Today** 14 October 2024

# **Contact Details**

#### **BNZ Research**

**Stephen Toplis** Head of Research **Doug Steel** Senior Economist **Matt Brunt Economist** 

**Jason Wong** 

**Stuart Ritson** 

Senior Markets Strategist Senior Interest Rate Strategist

**Mike Jones** 

**BNZ Chief Economist** 

## **Main Offices**

# Wellington

Level 2, BNZ Place 1 Whitmore St Private Bag 39806 Wellington Mail Centre Lower Hutt 5045 **New Zealand** 

Toll Free: 0800 283 269

#### **Auckland**

80 Queen Street Private Bag 92208 Auckland 1142 New Zealand

Toll Free: 0800 283 269

# Christchurch

111 Cashel Street Christchurch 8011 New Zealand

Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.

Page 4 www.bnz.co.nz/research