

# 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.

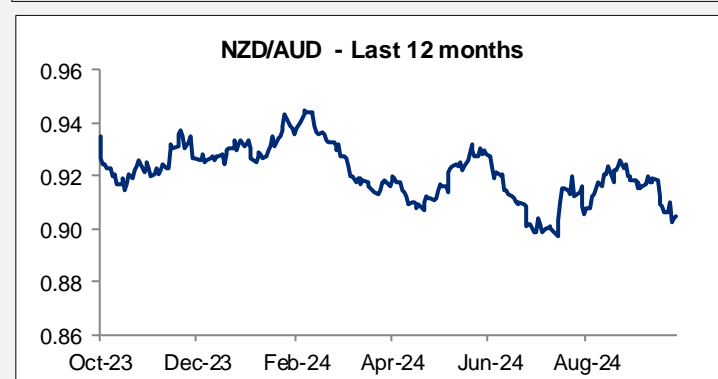
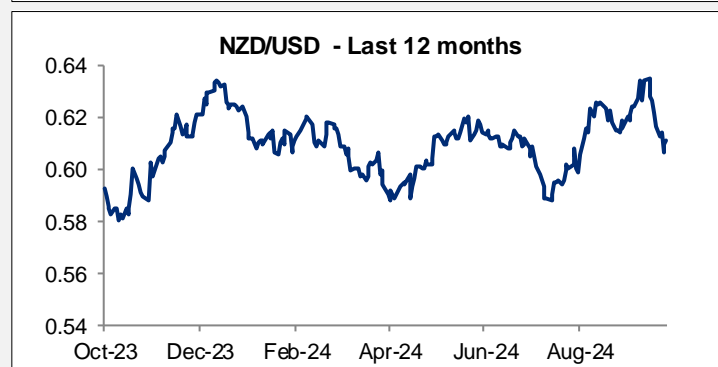
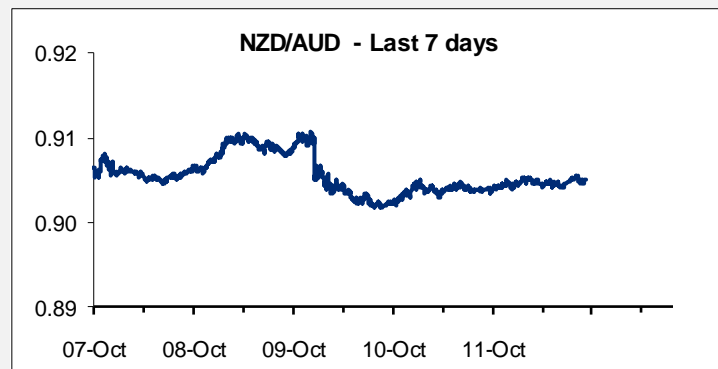
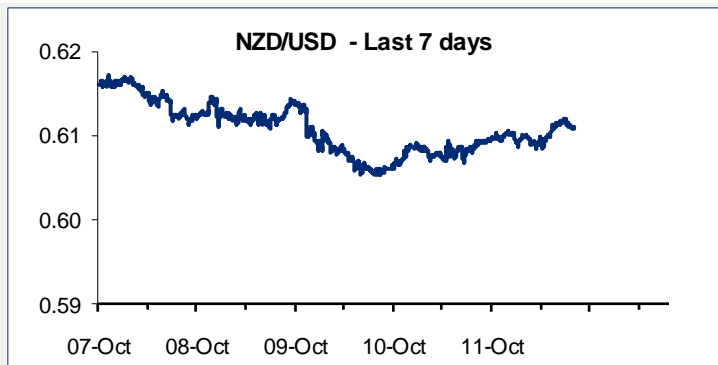
Currency markets were little changed with the dollar index consolidating its recent gains after a ~3% rally since the end of September. After an initial dip towards 0.6085, NZD/USD closed the week modestly higher near 0.6110 and was little changed on the major cross rates.

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.



**NZD exchange rates**

13/10/2024	NY close	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**

	BNZ 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	BNZ Sells NZD
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

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