

# Research Markets Today

15 October 2024

## Events Round-Up

NZ: Performance of services index, Sep: 45.7 vs. 45.7 prev.

NZ: Card spending total (m/m%), Sep: 0.3 vs. -0.2 prev.

CH: Exports (USD, y/y%), Sep: 2.4 vs. 6.0 exp.

CH: Imports (USD, y/y%), Sep: 0.3 vs. 0.8 prev.

## Good Morning

US equities continue their record-breaking run on the US public holiday, with the cash treasuries market closed. Market reaction to the underwhelming weekend policy announcement by China's MoF was well contained. The USD is broadly stronger, and the NZD has settled just below 0.61, with only small movements on the crosses.

As markets opened on Monday, there was interest in the reaction to the much-anticipated policy announcement by China's MoF on Saturday, which was underwhelming, including no new initiatives to incentivise consumer spending – just a pledge to significantly increase government debt to support local government, the housing market, and ensure unused funds are spent this year. More spending was promised, but the detail and metrics will have to wait until at least later this month.

In the event, China's CSI index closed up 1.9%, although Chinese equities could well have been propped up by government-directed buying. Hong Kong's Hang Seng index fell 0.75%. The NZD and AUD opened trading on a weaker note, although that soon morphed into a broad pattern of USD strength, and NZD crosses show only small movements from last week's close.

There are hints that the "Trump" trade is back in action, with a lift in the USD of 0.4% consistent with that theme. And within US equities, Goldman Sach's baskets of stocks designed to capture those that benefit Republican and Democrat governments show clear outperformance for the former over recent days. Recent public polls and betting markets show a swing in momentum towards Trump.

The NZD is currently trading around 0.6090, after dipping to an overnight low of 0.6070, little changed from the NZ close and down over 0.3% from last week's close. The AUD shows a slightly larger fall to 0.6725, EUR has slipped 0.3% to 1.09 and GBP shows a milder fall to 1.3060. USD/JPY is up 0.5%, getting close to 150.

US equities have begun the week on a strong note, extending the record-breaking run for the S&P500, which currently trades up 0.7%. Investors are unperturbed by expectations that earnings growth for the current round of quarterly results will slow to their weakest rate in a year. Nvidia is currently up 2.7%, on track to close at a fresh record high. The US cash treasuries market is closed for a public holiday, but futures imply a small upside bias to the 10-year rate in the order of a couple of basis points.

In economic news, China trade data showed disappointing growth in exports of 2.4% y/y in USD terms, after being one of the few growth engines for the economy of late. Import growth of just 0.3% y/y remained consistent with the narrative of weak domestic demand. Loan and aggregate financing data remained consistent with sluggish demand for credit, with bank loan growth decelerating to a record low of 8.1% y/y in September, with a particularly pronounced slowdown in household lending, reflecting continued weakness in mortgage lending. Easier monetary policy to date has done nothing to support demand for credit, hence the need for the government to switch to fiscal stimulus.

Oil prices are down 1½%, seeing Brent crude trade with a USD77 handle, reflecting some disappointment with China's weekend policy announcement and OPEC cut its projections for oil demand through to the end of 2025 for a third consecutive month. OPEC's demand projections still remain above other forecasts.

Yesterday, domestic rates pushed higher on global forces, with swap rates up 5-7bps for the day and NZGB yields up 3-6bps. The 10-year NZGB rate was up 5bps to 4.45%, its highest level since mid-July, reflecting the recent global bond market sell-off.

NZ data remained weak. The performance of services index was unchanged at 45.7 in September, sustaining the lift from the June slump of 41.0 but remaining well below average and deep in contractionary territory. The composite PMI/PSI index was consistent with another contraction in GDP in Q3. Spending data was consistent with another contraction in retail sales volumes for the quarter. Lower interest rates will be supportive in time, but plenty of near-term headwinds are still present.

The domestic focus this week will be on NZ's Q3 CPI figures released Wednesday, although scope for a surprise is limited, given the array of monthly indicators released

already, and economists' estimates are for a steep drop in the annual increase to around 2.2-2.3%.

On the calendar today, soon after we go to print, Fed Governor Waller, who the market tends to listen to, will be talking about the economic outlook. Domestically, REINZ housing market data are released. Tonight sees the release of key UK labour market data and Canadian CPI data.

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### Coming Up

		Period	Cons.	Prev.	NZT
US	Fed's Waller speaks on the economic outlook				08:00
NZ	REINZ house sales (y/y%)	Sep		-0.7	09:00
UK	Unemployment rate (%)	Aug	4.1	4.1	19:00
UK	Wkly earnings ex bonus (3m/y%)	Aug	4.9	5.1	19:00
EC	Industrial production (m/m%)	Aug	1.8	-0.3	22:00
US	Empire manufacturing	Oct	3.6	11.5	01:30
CA	CPI (y/y%)	Sep	1.8	2.0	01:30
CA	CPI Core (avg med/trim y/y%)	Sep	2.4	2.35	01:30

Source: Bloomberg, BNZ

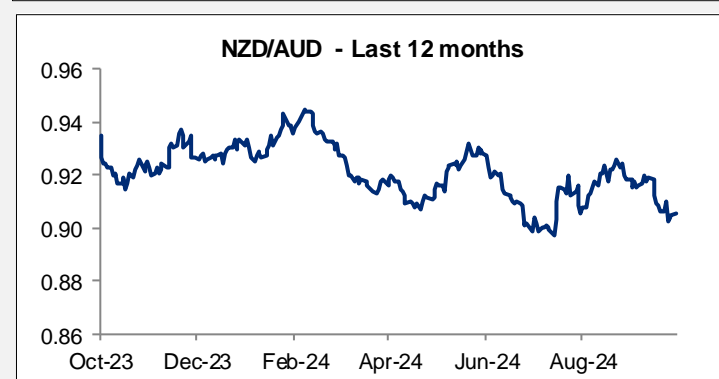
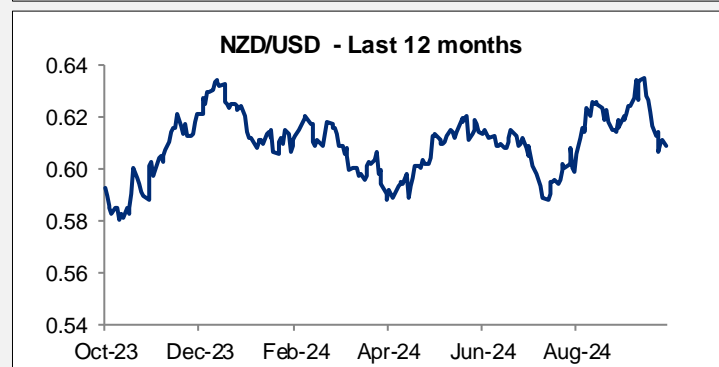
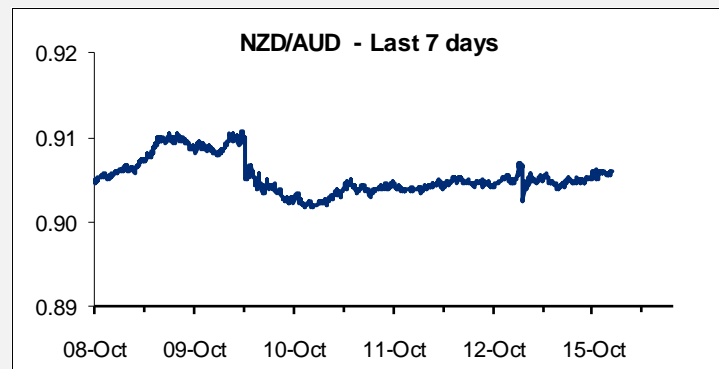
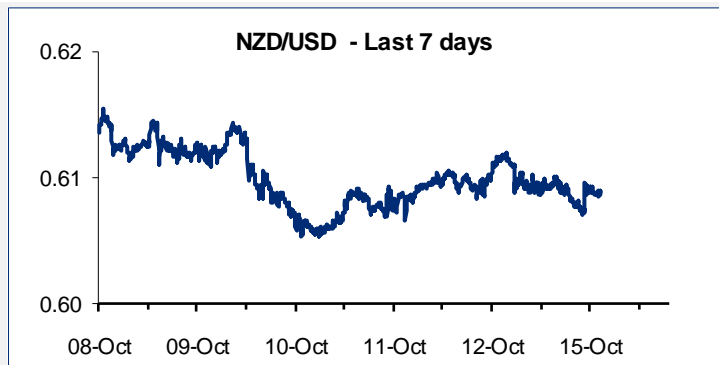
Currencies							Equities					Commodities			
FX Majors	Indicative overnight ranges (*)				Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day				
NZD	0.6089	-0.3	0.6070	0.6101	CHF	0.8631	+0.7	S&P 500	5,857	+0.7	35.3	Oil (Brent)	77.84	-1.5	
AUD	0.6721	-0.4	0.6702	0.6744	SEK	10.433	+0.6	Dow	43,013	+0.3	27.7	Oil (WTI)	74.26	-1.7	
EUR	1.0903	-0.3	1.0898	1.0937	NOK	10.789	+0.9	Nasdaq	18,501	+0.9	38.0	Gold	2647.8	-0.1	
GBP	1.3056	-0.1	1.3030	1.3072	HKD	7.764	-0.1	Stoxx 50	5,041	+0.7	21.9	HRC steel	698.0	-1.0	
JPY	149.87	+0.5	149.18	149.96	CNY	7.089	+0.3	FTSE	8,293	+0.5	9.1	CRB	291.0	+0.1	
CAD	1.3797	+0.3			SGD	1.309	+0.3	DAX	19,508	+0.7	28.5	Wheat Chic.	607.3	-2.3	
NZD/AUD	0.9060	+0.1			IDR	15,566	-0.1	CAC 40	7,602	+0.3	8.5	Sugar	22.39	+0.6	
NZD/EUR	0.5585	-0.0			THB	33.30	+0.4	Nikkei	39,606	+0.6	22.6	Cotton	70.97	-1.7	
NZD/GBP	0.4664	-0.3			KRW	1,358	+0.5	Shanghai	3,284	+2.1	6.4	Coffee	262.1	+3.7	
NZD/JPY	91.26	+0.1			TWD	32.17	+0.0	ASX 200	8,253	+0.5	17.0	WM powder	3580	+0.0	
NZD/CAD	0.8401	-0.1			PHP	57.47	+0.4	NZX 50	12,767	-0.6	13.3	<b>Australian Futures</b>			
NZ TWI	70.34	-0.1						VIX Index	19.82	-3.1	+2.6	3 year bond	96.23	-0.03	
<b>Interest Rates</b>							<b>NZ Government Bonds</b>					<b>NZ BKBM and Swap Yields</b>			
<b>Rates</b>		<b>Swap Yields</b>			<b>Benchmark 10 Yr Bonds</b>										
	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	0.00	15-May-26	3.98	0.03	BKBM 1-mth	4.88	0.00		
AUD	4.35	4.42	3.92	4.37	AUD	4.27	0.04	15-Apr-27	3.88	0.05	BKBM 3-mth	4.65	0.01		
NZD	4.75	4.65	3.76	4.14	NZD	4.45	0.05	15-May-28	3.94	0.06	1 year	4.06	0.03		
EUR	3.50	3.18	2.45	2.47	GER	2.28	0.01	20-Apr-29	4.03	0.06	2 year	3.76	0.05		
GBP	5.00	5.30	4.06	3.87	GBP	4.24	0.03	15-May-30	4.15	0.06	3 year	3.71	0.06		
JPY	0.23	-0.03	0.48	0.93	JPY	0.95	0.00	15-May-31	4.25	0.05	5 year	3.82	0.07		
CAD	4.25	4.97	2.99	3.10	CAD	3.22	-0.01	15-May-32	4.34	0.05	7 year	3.97	0.06		
							<b>NZ Inflation-Indexed Bonds</b>								
							Sep-30	2.42	0.04	15-May-34	4.45	0.05	10 year	4.14	0.06
							Sep-35	2.74	0.05	15-May-35	4.54	0.05	15 year	4.36	0.05
							Sep-40	3.00	0.05	15-May-36	4.63	0.05			
										15-May-37	4.70	0.04			
										15-May-41	4.89	0.04			
										15-May-51	5.00	0.03			
										15-May-54	5.04	0.03			

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
Rates are as of: NZT 06:56

Source: Bloomberg

**NZD exchange rates**

15/10/2024 6:56 am		Prev. NY close
USD	0.6089	0.6110
GBP	0.4664	0.4676
AUD	0.9060	0.9052
EUR	0.5585	0.5587
JPY	91.26	91.12
CAD	0.8401	0.8409
CHF	0.5255	0.5237
DKK	4.1667	4.1678
FJD	1.3674	1.3648
HKD	4.7276	4.7478
INR	51.18	51.37
NOK	6.5694	6.5351
PKR	169.53	170.04
PHP	35.00	34.96
PGK	2.3935	2.4008
SEK	6.3523	6.3383
SGD	0.7969	0.7972
CNY	4.3173	4.3178
THB	20.30	20.52
TOP	1.4014	1.3982
VUV	72.79	73.12
WST	1.6488	1.6419
XPF	66.53	65.92
ZAR	10.7049	10.6444



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.92	1.36
3 Months	4.67	5.58
6 Months	9.76	10.76
9 Months	14.52	17.54
1 Year	19.22	22.21

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-3.03	-1.99
3 Months	-2.40	-0.44
6 Months	4.34	7.38
9 Months	14.97	22.10
1 Year	26.65	35.14

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