

Research Markets Today

16 December 2024

Events Round-Up

NZ: Manufacturing PMI, Nov: 45.5 vs. 45.7 prev.
 NZ: Net migration (k), Oct: 2.8 vs. 2.2 prev.
 JN: Tankan large mfg index, Q4: 14 vs. 13 exp.
 UK: GfK consumer confidence, Dec: -17 vs. -18 exp.
 UK: Industrial production (m/m%), Oct: -0.6 vs. 0.3 exp.
 UK: GDP (m/m%), Oct: -0.1 vs. 0.1 exp.
 EC: Industrial production (m/m%), Oct: 0 vs. 0 exp.

Good Morning

Global equities ended last week on a soft note with losses for major Asian indices and initial gains for US markets fading. The S&P ended the session flat and closed the week nearly 1% lower. The Hang Seng fell 2% after Chinese policy makers pledged to boost consumption, but failed to offer details on fiscal stimulus, which disappointed investors. Global bond yields moved higher, and the US dollar had a mixed performance against G10 currencies. Brent crude prices advanced to US\$74.40 per barrel and extended its weekly gain to nearly 5%.

Confidence amongst the largest Japanese manufacturers edged higher to 14 in December. This is the last major data release ahead of the Bank of Japan's policy meeting on Thursday. Although the economic backdrop is consistent with a further normalisation in policy, the consensus is for the Bank to leave rates on hold this month, but for Governor Ueda to hint in the press conference that a rate hike is likely in January.

The Bundesbank reduced its 2025 growth forecast to just 0.1% and warned that a trade war with the US could push the economy into recession. The central bank estimates tariffs on all US imports could reduce German GDP by 0.2- 0.6% next year. In June, it had forecast the economy would grow 1% in 2025.

The selloff in US treasuries continued despite the lack of US economic data. 10-year yields increased 6bp to 4.39% with the curve steepening. The reversal higher has seen 10-year yields increase 25bp over the past week and approach levels seen in November after the US election. The 2y10y UST curve has steepened back to 16bp from close to flat at the beginning of December.

European bond yields also increased and extended the move seen in the aftermath of the ECB meeting the previous day. German bund yields closed 5bp higher across the curve despite the gloomy prognosis from the Bundesbank on the outlook for the economy.

Providing a contrast, bond yields in China have continued to decline with policy makers having signalled reductions in policy rates and banks' reserve ratios. Earlier last week, the Communist party's politburo changed its monetary policy stance to 'moderately loose' from 'prudent' for the first time in 14 years. 10-year bond yields have fallen below 1.8% for the first time in history, and increasingly wide yield differentials with the US, is likely to keep pressure on the yuan.

The US dollar index was little changed overall in the offshore session Friday, but this masked divergent performance for major currencies. The yen weakened in line with the higher UST yields while the euro traded higher against the dollar. The UK economy contracted for a second straight month in October which weighed on the pound. The NZD was little changed against the dollar. An initial rally above 0.5770 faded and NZD/USD closed near the weekly and 2024 lows.

NZ fixed ended the local session on Friday higher in yield with limited domestic or regional catalysts. The market looked past ongoing weakness in the manufacturing sector. The PMI dipped modestly relative to October and extended the period in contractionary territory to 21 consecutive months. Swap rates were market flat to 1bp higher across the curve with 2-year closing at 3.59%.

10-year government bond yields increased 4bp to 4.39%. The underperformance relative to swaps saw swap spreads decline to -41bp equalling the recent multi-year lows. Australian 10-year government bond futures are 4bp higher in yield terms since the local close on Friday, which suggests an upward bias, for NZ yields on the open.

It is a full economic calendar to start the week. The NZ services PMI and inflation partials will be closely monitored. Monthly activity data covering retail sales data and industrial production in China is released. And later this evening ECB president Lagarde is speaking following the bank's decision to cut rates by 25bp to 3.0% last week. PMIs for Europe and the US are scheduled.

Looking ahead to the remainder of the week, the domestic focus will centre on the government's Half Year Economic and Fiscal Update and Q3 GDP data. Global central banks will also be in focus with the US Federal Reserve, Bank of Japan and Bank of England all releasing monetary policy decisions.

stuart.ritson@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance Services Index	Nov	46	10:30	
NZ	Food Prices (m/m%)	Nov	-0.9	10:45	
CH	Industrial Production (y/y%)	Nov	5.3	5.3	15:00
CH	Retail Sales (y/y%)	Nov	5	4.8	15:00
CH	Fixed Assets Ex Rural (YTD y/y%)	Nov	3.5	3.4	15:00
EC	ECB's Lagarde Speaks				20:30
GE	Manufacturing PMI	Dec P	43	21:30	
GE	Services PMI	Dec P	49.3	21:30	
EC	Manufacturing PMI	Dec P	45.6	45.2	22:00
EC	Services PMI	Dec P	49.5	49.5	22:00
UK	Manufacturing PMI	Dec P	48	22:30	
UK	Services PMI	Dec P	50.8	22:30	
US	Empire Manufacturing	Dec	6.6	31.2	02:30
US	Manufacturing PMI	Dec P	49.7	03:45	
US	Services PMI	Dec P	56.1	03:45	

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	0.5763	-0.1	0.5754	0.5778	CHF	0.8927	+0.1	S&P 500	6,051	-0.0	28.6	Oil (Brent)	74.31	+1.2	
AUD	0.6361	-0.1	0.6352	0.6384	SEK	10.978	-0.4	Dow	43,828	-0.2	18.2	Oil (WTI)	71.07	+1.5	
EUR	1.0504	+0.3	1.0453	1.0524	NOK	11.143	-0.3	Nasdaq	19,927	+0.1	35.2	Gold	2648.4	-1.5	
GBP	1.2621	-0.4	1.2609	1.2668	HKD	7.776	+0.0	Stoxx 50	4,968	+0.0	9.7	HRC steel	675.0	+0.0	
JPY	153.66	+0.7	152.68	153.80	CNY	7.274	+0.1	FTSE	8,300	-0.1	10.0	CRB	294.0	+0.2	
CAD	1.4236	+0.1			SGD	1.349	+0.1	DAX	20,406	-0.1	21.7	Wheat Chic.	552.0	-1.2	
NZD/AUD	0.9060	-0.0			IDR	16,009	+0.4	CAC 40	7,410	-0.2	-1.6	Sugar	20.72	-0.8	
NZD/EUR	0.5486	-0.4			THB	34.14	+0.7	Nikkei	39,470	-1.0	19.7	Cotton	69.27	-1.1	
NZD/GBP	0.4566	+0.4			KRW	1,435	+0.4	Shanghai	3,392	-2.0	15.3	Coffee	319.5	-1.0	
NZD/JPY	88.55	+0.6			TWD	32.50	-0.0	ASX 200	8,296	-0.4	11.5	WM powder	3905	-1.5	
NZD/CAD	0.8203	-0.0			PHP	58.48	+0.4	NZX 50	12,754	+0.5	10.4	Australian Futures			
NZ TWI	68.55	+0.0						VIX Index	13.81	-0.8	+13.3	3 year bond	96.15	-0.01	
Interest Rates													10 year bond	95.65	-0.04
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	4.06	3.90	USD	4.40	0.07	15-Apr-27	3.76	0.01	BKBM 1-mth	4.38	0.00		
AUD	4.35	4.46	3.90	4.36	AUD	4.29	0.03	15-May-28	3.82	0.01	BKBM 3-mth	4.29	-0.00		
NZD	4.25	4.29	3.60	4.02	NZD	4.42	0.03	20-Apr-29	3.91	0.02	1 year	3.76	0.01		
EUR	3.25	2.89	2.21	2.27	GER	2.26	0.05	15-May-30	4.04	0.02	2 year	3.60	0.01		
GBP	4.75	5.30	4.16	3.93	GBP	4.41	0.05	15-May-31	4.18	0.03	3 year	3.58	0.01		
JPY	0.23	-0.03	0.62	1.02	JPY	1.04	-0.01	15-May-32	4.29	0.03	5 year	3.69	0.01		
CAD	3.25	4.97	2.84	2.94	CAD	3.18	0.04	14-Apr-33	4.36	0.03	7 year	3.84	0.01		
							NZ Inflation-Indexed Bonds			15-May-34	4.42	0.03	10 year	4.02	0.00
							Sep-30	2.32	0.04	15-May-35	4.51	0.03	15 year	4.22	0.00
							Sep-35	2.65	0.04	15-May-36	4.59	0.03			
							Sep-40	2.90	0.04	15-May-37	4.68	0.03			
										15-May-41	4.89	0.03			
										15-May-51	5.03	0.04			
										15-May-54	5.06	0.03			

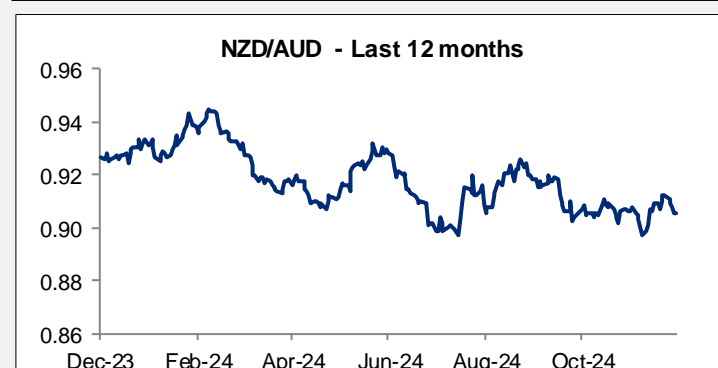
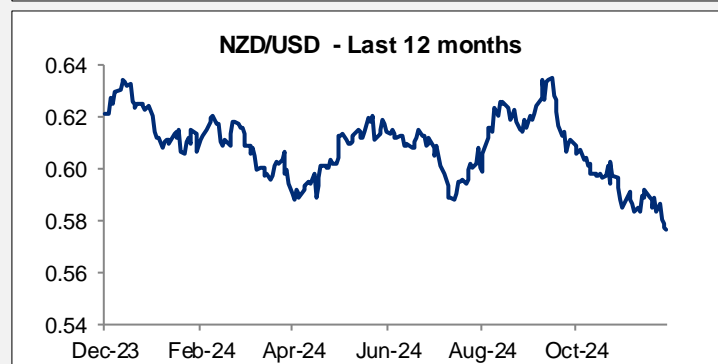
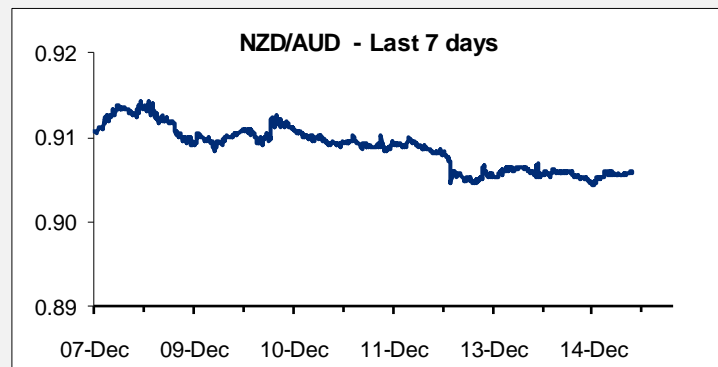
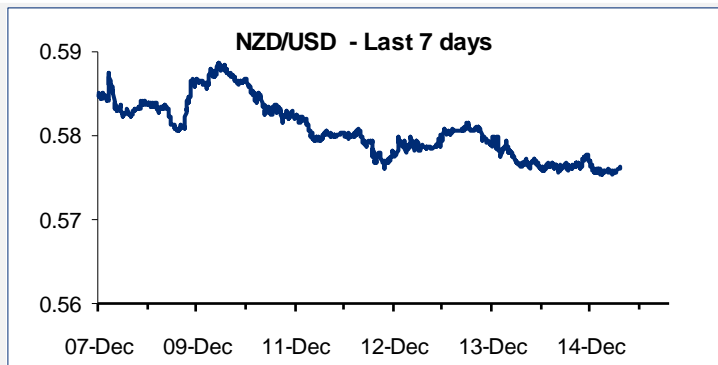
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates at NY close

Source: Bloomberg

NZD exchange rates

14/12/2024	NY close	Prev. NY close
USD	0.5763	0.5770
GBP	0.4566	0.4553
AUD	0.9060	0.9060
EUR	0.5486	0.5512
JPY	88.55	88.07
CAD	0.8203	0.8205
CHF	0.5146	0.5147
DKK	4.0930	4.1104
FJD	1.3370	1.3384
HKD	4.4820	4.4859
INR	48.88	48.97
NOK	6.4231	6.4479
PKR	160.30	160.50
PHP	33.70	33.61
PGK	2.2955	2.2997
SEK	6.3276	6.3570
SGD	0.7774	0.7772
CNY	4.1925	4.1943
THB	19.67	19.52
TOP	1.3872	1.3745
VUV	71.31	71.03
WST	1.6054	1.6074
XPF	65.51	65.68
ZAR	10.3009	10.2727



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.24	1.86
3 Months	4.79	5.81
6 Months	14.62	15.62
9 Months	25.98	28.04
1 Year	37.17	40.17

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.57	1.79
3 Months	5.24	7.46
6 Months	19.10	21.80
9 Months	33.81	38.96
1 Year	47.12	55.08

Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Stuart Ritson

Senior Interest Rate Strategist
+64 9 9248601

Mike Jones

BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington

Level 4, Spark Central
42-52 Willis Street
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.

