

Research Markets Today

16 October 2024

Events Round-Up

NZ: REINZ house sales (y/y%), Sep: -1.1 vs. -0.7 prev.
 UK: Unemployment rate (%), Aug: 4.0 vs. 4.1 exp.
 UK: Wkly earnings ex bonus (3m/y%), Aug: 4.9 vs. 4.9 exp.
 EC: Industrial production (m/m%), Aug: 1.8 vs. 1.8 exp.
 US: Empire manufacturing, Oct: -11.9 vs. 3.6 exp.
 CA: CPI (y/y%), Sep: 1.6 vs. 1.8 exp.
 CA: CPI Core (avg med/trim y/y%), Sep: 2.4 vs. 2.4 exp.

Good Morning

The S&P retraced from its all-time high following news that US officials were discussing capping exports of advanced AI chips. Technology stocks also weighed on European markets. Chinese equities declined as investors wait for more details of a stimulus package first announced by Beijing in September. Officials from China's housing ministry, finance ministry and the Peoples Bank of China will hold a briefing tomorrow to outline measures to support the property sector and bolster growth. Global bond yields declined, and the US dollar is little changed.

Oil prices, which dropped sharply yesterday after the Washington Post reported that Israel wouldn't target Iran's crude infrastructure, continued lower overnight. Brent crude fell below US\$74 per barrel, down from US\$78 earlier this week. Crude prices have been volatile recently, set against the backdrop of an escalating conflict in the Middle East, and concerns about slowing growth in key markets including China. The International Energy Agency forecast that growth in world oil demand will slow sharply this year and next.

UK labour market was mixed. Annual earnings growth, excluding bonuses, declined to a 4.9% annual rate, which was in line with expectations. This compares with 5.1% in the three months to July. The unemployment rate dipped to 4.0% in August from 4.1%. Investors will look to CPI data this evening to fine tune expectations for Bank of England (BOE) monetary policy. There is 22bp of easing priced for the November meeting and a cumulative 37bp by December. There was limited initial market reaction to the data, although the pound is marginally stronger, with NZD/GBP dipping below 0.4650. Gilt yields are lower.

US treasuries have moved lower in yield, led by the long end of the curve, in a bull-flattening adjustment. 2-year

yields are little changed at 3.95% with only second-tier economic data and stable Fed rate cut expectations. Fed Governor Waller said yesterday that recent economic data signals policymakers should proceed with more caution on the pace of cuts. 10-year notes retraced from 10-week highs, and dropped 6bp to 4.04%, with the pullback in oil weighing on break even inflation. Yields also declined across European bond markets with German 10-year bunds closing 5bp lower at 2.22%.

Currency markets were generally subdued overnight with limited movement across G10 currencies. The Canadian dollar is little changed despite data headline CPI falling more than expected. Annual CPI fell to 1.6%, the first fall below 2% since 2021, which firmed expectations of a 50bp rate cut next week. The AUD and NZD are marginally softer against the US dollar. NZD/USD briefly traded above 0.6100 but has subsequently retraced and is close to the session lows on our open.

NZ fixed income yields moved lower in the local session yesterday. 2-year swap rates fell 6bp to 3.71% with a largely parallel curve adjustment. There wasn't an obvious catalyst for the move but the ~20bp move higher in October likely attracted fresh receiving interest ahead of key NZ CPI data. NZ swap rates outperformed on a cross-market basis against Australia. The government curve bull steepened - 10Y NZGB underperformed relative to shorter maturities but still closed 3bp lower at 4.42%

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

The domestic focus will be on Q3 CPI data today with inflation likely to return within the BNZ's target band for the first time since Q1 2021. Our forecast for the annual headline rate is 2.3%, which aligns with the RBNZ's projection, from the August Monetary Policy Statement. We expect non-tradeables annual inflation will ease to 5.1%, from 5.4% in Q2, which would also match RBNZ expectations. There will also be a focus on the various core measures.

UK headline CPI is expected to retrace back to a 1.9% annual rate in September from 2.2%. Core and services prices will remain elevated relative to the headline but are also likely to moderate. The data should support a November cut from the BOE. However, the central bank

will need to see better news on wages and inflation over the next couple of prints to support another cut in December.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ CPI (y/y%)	3Q	2.2	3.3	10:45
NZ CPI (q/q%)	3Q	0.7	0.4	10:45
NZ RBNZ Assistant Governor Silk Speaks				11:45
UK CPI (y/y%)	Sep	1.9	2.2	19:00
UK CPI Core (y/y%)	Sep	3.4	3.6	19:00
UK CPI Services (y/y%)	Sep	5.2	5.6	19:00

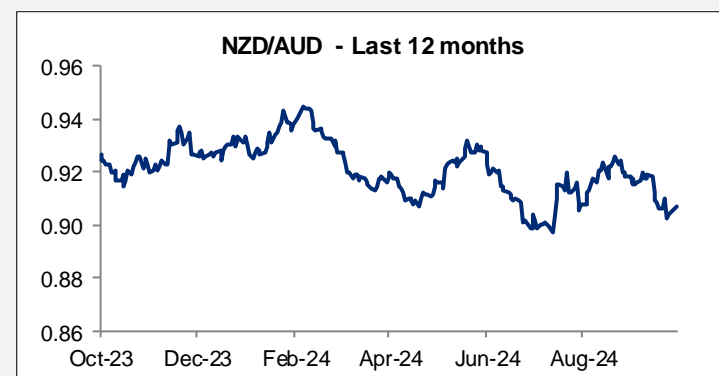
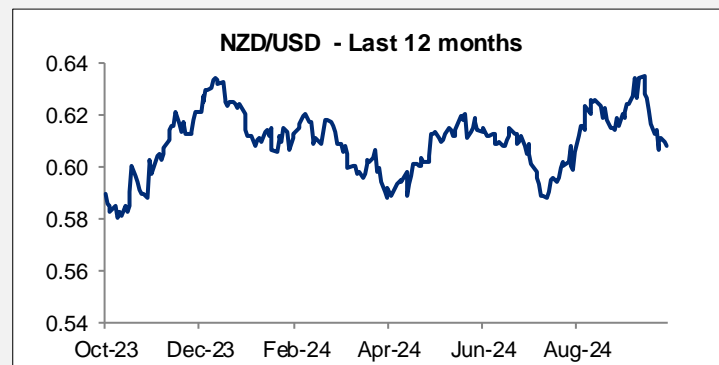
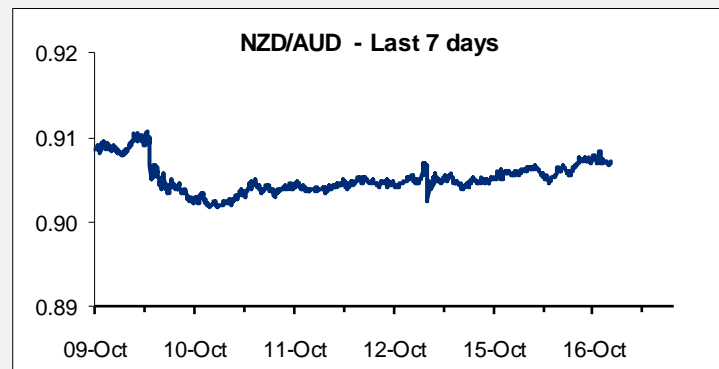
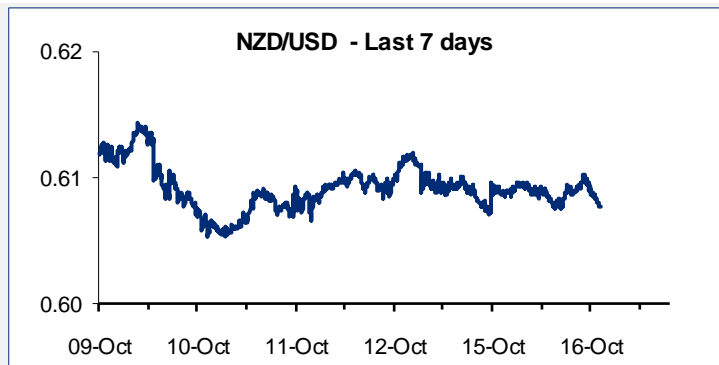
Source: Bloomberg, BNZ

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	0.6077	-0.3	0.6074	0.6106	CHF	0.8635	+0.1	S&P 500	5,833	-0.5	34.8	Oil (Brent)	74.09	-4.4
AUD	0.6700	-0.4	0.6700	0.6726	SEK	10.416	-0.1	Dow	42,893	-0.4	27.4	Oil (WTI)	70.43	-4.6
EUR	1.0885	-0.2	1.0884	1.0917	NOK	10.842	+0.4	Nasdaq	18,322	-1.0	36.7	Gold	2647.8	-0.4
GBP	1.3064	+0.0	1.3036	1.3103	HKD	7.768	+0.1	Stoxx 50	4,947	-1.9	19.6	HRC steel	698.0	-1.0
JPY	149.52	-0.2	148.85	149.64	CNY	7.120	+0.4	FTSE	8,249	-0.5	8.5	CRB	287.1	-1.3
CAD	1.3805	+0.1			SGD	1.310	+0.1	DAX	19,486	-0.1	28.3	Wheat Chic.	601.5	-1.0
NZD/AUD	0.9070	+0.0			IDR	15,589	+0.1	CAC 40	7,522	-1.1	7.4	Sugar	22.82	+2.1
NZD/EUR	0.5583	-0.1			THB	33.30	+0.1	Nikkei	39,911	+0.8	26.1	Cotton	70.69	-0.5
NZD/GBP	0.4652	-0.4			KRW	1,366	+0.6	Shanghai	3,201	-2.5	4.1	Coffee	256.7	-2.0
NZD/JPY	90.86	-0.5			TWD	32.18	+0.0	ASX 200	8,318	+0.8	18.4	WM powder	3570	-0.3
NZD/CAD	0.8389	-0.2			PHP	57.85	+0.7	NZX 50	12,841	+0.6	14.8	Australian Futures		
NZ TWI	70.36	-0.1						VIX Index	20.17	+2.4	+4.4	3 year bond	96.24	0.01
												10 year bond	95.78	0.06
Interest Rates							NZ Government Bonds				NZ BKBM and Swap Yields			
Rates	Swap Yields				Benchmark 10 Yr Bonds		Last	Chg		Last		Chg		
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day								
USD	5.00	4.85	3.76	3.57	USD	4.04	-0.06	15-May-26	3.92	-0.06	BKBM 1-mth	4.88	0.00	
AUD	4.35	4.40	3.87	4.30	AUD	4.25	-0.02	15-Apr-27	3.83	-0.05	BKBM 3-mth	4.65	0.00	
NZD	4.75	4.65	3.71	4.09	NZD	4.42	-0.03	15-May-28	3.88	-0.05	1 year	4.01	-0.04	
EUR	3.50	3.21	2.40	2.42	GER	2.22	-0.05	20-Apr-29	3.98	-0.05	2 year	3.71	-0.06	
GBP	5.00	5.30	4.02	3.78	GBP	4.16	-0.08	15-May-30	4.10	-0.04	3 year	3.66	-0.06	
JPY	0.23	-0.03	0.50	0.94	JPY	0.97	0.02	15-May-31	4.20	-0.04	5 year	3.76	-0.06	
CAD	4.25	4.97	2.94	3.02	CAD	3.15	-0.07	15-May-32	4.30	-0.04	7 year	3.91	-0.06	
								14-Apr-33	4.37	-0.03	10 year	4.09	-0.05	
								15-May-34	4.42	-0.03	15 year	4.31	-0.05	
								15-May-35	4.51	-0.03				
								15-May-36	4.60	-0.03				
								15-May-37	4.67	-0.03				
								15-May-41	4.85	-0.04				
								15-May-51	4.97	-0.04				
								15-May-54	5.00	-0.04				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:30
 Source: Bloomberg

NZD exchange rates

16/10/2024	6:30 am	Prev. NY close
USD	0.6077	0.6096
GBP	0.4652	0.4668
AUD	0.9070	0.9063
EUR	0.5583	0.5588
JPY	90.86	91.29
CAD	0.8389	0.8410
CHF	0.5247	0.5259
DKK	4.1658	4.1695
FJD	1.3656	1.3705
HKD	4.7207	4.7329
INR	51.07	51.24
NOK	6.5884	6.5827
PKR	168.70	169.73
PHP	35.15	35.04
PGK	2.3869	2.3962
SEK	6.3297	6.3551
SGD	0.7963	0.7977
CNY	4.3265	4.3219
THB	20.27	20.33
TOP	1.3954	1.4030
VUV	72.66	72.88
WST	1.6410	1.6509
XPF	66.46	66.59
ZAR	10.7383	10.7081



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.90	1.30
3 Months	4.84	5.41
6 Months	9.93	11.01
9 Months	15.05	17.97
1 Year	20.45	23.47

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.84	-2.04
3 Months	-2.07	-0.82
6 Months	4.73	7.29
9 Months	15.69	21.53
1 Year	28.36	35.58

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