

# Research Markets Today

17 December 2024

## Events Round-Up

NZ: Performance of services index, Nov: 49.5 vs. 46.2 prev.  
 NZ: Monthly pricing indicator (m/m%), Nov: XX vs. exp.  
 CH: Industrial production (y/y%), Nov: 5.4 vs. 5.4 exp.  
 CH: Retail sales (y/y%), Nov: 3.0 vs. 5.0 exp.  
 CH: Fixed assets invest. (ytd y/y%), Nov: 3.3 vs. 3.5 exp.  
 GE: Manufacturing PMI, Dec: 42.5 vs. 43.1 exp.  
 GE: Services PMI, Dec: 51.0 vs. 49.3 exp.  
 EC: Manufacturing PMI, Dec: 45.2 vs. 45.6 exp.  
 EC: Services PMI, Dec: 51.4 vs. 49.5 exp.  
 UK: Manufacturing PMI, Dec: 47.3 vs. 48.5 exp.  
 UK: Services PMI, Dec: 51.4 vs. 51.0 exp.  
 US: Empire Manufacturing, Dec: 0.2 vs. 10.0 exp.  
 US: Manufacturing PMI, Dec: 48.3 vs. 49.5 exp.  
 US: Services PMI, Dec: 58.5 vs. 55.8 exp.

## Good Morning

PMI data across Europe and the US showed increases for the services sector across the board, offsetting weakness in the manufacturing sector to support the composite indices. The euro area services index rose 1.9pts to 51.4, bouncing back from a weak November reading. For the UK, the services index rose 0.4pts to 51.4.

The large gap between the US and European indices remained, with the services PMI index for the US rising 2.4pts to a three-year high of 58.5, suggesting rising growth momentum from an already above-trend rate. This was in contrast to further weakness in the manufacturing sector, with the release noting concerns surrounding tariffs and the potential impact on inflation resulting from the higher cost of imported materials. Separately, the Empire manufacturing index slumped from 31.2 to 0.2, although that index has been particularly volatile recently and therefore hard to interpret.

US Treasury yields pushed higher after the data release and the 10-year rate is trading near its high for the session at 4.41%, up 2bps from the NZ close. The 2-year rate is little changed at 4.24%.

European yields show little net movement in 10-year rates. As expected, in Germany Chancellor Scholz lost a vote of

confidence in Parliament, paving the way for an election on 23 February.

ECB GC members have been out in force following the fourth rate cut this cycle delivered last week. Wunsch said “we’re broadly comfortable” when asked about market pricing for 4-5 more rate cuts. President Lagarde said, “even though we are not there yet, we are close to achieving our target...the direction of travel is clear and we expect to lower interest rates further”. Vice President de Guindos echoed those comments. Schnabel said, “price stability is within reach...lowering policy rates gradually towards a neutral level is the most appropriate course of action”.

US equities have begun the week on a positive note, with the S&P500 up ½% in early afternoon trading while the Nasdaq index is up over 1%. In Europe the Euro Stoxx 600 index closed down 0.1%.

Yesterday, China monthly activity data highlighted unexpectedly weak retail sales data, with annual growth of 3.0% in November versus the 5.0% expected. The data played to the narrative of weak consumer spending and the need for the government to provide more meaningful stimulus. China’s 10-year rate fell further to fresh record low of 1.72%. The Chinese yuan was only slightly weaker, with the PBoC continuing to find success in preventing USD/CNY from rising above 7.29.

Currency movements have been well contained. The NZD has been one of the better performing after its recent horror run that took it to a two-year low towards the end of last week. It is currently up 0.3% from last week’s close at 0.5780. Key NZ crosses are all higher apart from NZD/GBP which is down 0.2% to 0.4560. NZD/EUR has returned to 0.55, NZD/AUD is up slightly to 0.9070 and NZD/JPY is up 0.6% to 89.1.

Bitcoin is up over 4% to a fresh record high above USD107k. The addition of MicroStrategy to the Nasdaq 100 index – a company which basically raises equity to take leveraged bets on bitcoin in a perpetual motion – has supported sentiment for the cryptocurrency.

The domestic rates session was quiet yesterday, with global forces seeing NZGB yields marked up 1-3bps across the curve and swap rates up 1-2bps. NZ’s performance of services index showed an encouraging 3.3pt lift to 49.5 in November even if it was still well below its long-run

average. Adding in the soft manufacturing PMI, the composite index remained consistent with GDP tracking below year-earlier levels. The monthly price indicators released by Stats NZ didn't move the dial for our Q4 CPI pick of 0.6% q/q, which continues to sit above the RBNZ's November MPS estimate of 0.4%.

The economic calendar remains heavy in the day ahead. The NZ government's half-year economic and fiscal update is expected to show further deterioration in NZ's fiscal accounts, reflecting the weaker economic backdrop compared to Treasury's Budget projections. This should be reflected in a modest upward revision to the bond tender programme over coming years. Tonight sees the release of UK labour market data, Germany's IFO survey, Canadian CPI and US retail sales data.

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### Coming Up

		Period	Cons.	Prev.	NZT
AU	Westpac consumer conf	Dec	94.6	12:30	
NZ	Half-Year economic & fiscal update			13:00	
UK	Unemployment rate (%)	Oct	4.3	20:00	
UK	Wkly earnings x bonus (3m y/y%)	Oct	4.8	20:00	
GE	IFO expectations	Dec	87.2	22:00	
CA	CPI (y/y%)	Nov	1.9	2.0	02:30
CA	CPI core (avg med/trim y/y%)	Nov	2.5	2.55	02:30
US	Retail sales (m/m%)	Nov	0.5	0.4	02:30
US	Retail sales ex auto, gas (m/m%)	Nov	0.5	0.1	02:30
US	Retail sales control group (m/m%)	Nov	0.4	-0.1	02:30
US	Industrial production (m/m%)	Nov	0.2	-0.3	03:15
US	NAHB housing market index	Dec	46	46	04:00

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	0.5781	+0.3	0.5760	0.5787	CHF	0.8939	+0.1	S&P 500	6,077	+0.4	28.8	Oil (Brent)	74.11	-0.5	
AUD	0.6373	+0.2	0.6346	0.6378	SEK	10.887	-0.8	Dow	43,770	-0.1	17.3	Oil (WTI)	70.94	-0.5	
EUR	1.0512	+0.1	1.0475	1.0525	NOK	11.152	+0.1	Nasdaq	20,151	+1.1	36.0	Gold	2652.0	-0.2	
GBP	1.2683	+0.5	1.2630	1.2698	HKD	7.775	-0.0	Stoxx 50	4,947	-0.4	8.7	HRC steel	675.0	-0.1	
JPY	154.17	+0.3	153.45	154.48	CNY	7.284	+0.1	FTSE	8,262	-0.5	9.1	CRB	294.0	+0.2	
CAD	1.4229	-0.0			SGD	1.350	+0.1	DAX	20,314	-0.5	21.3	Wheat Chic.	559.8	-0.4	
NZD/AUD	0.9071	+0.2			IDR	16,002	-0.0	CAC 40	7,357	-0.7	-3.2	Sugar	20.73	+0.0	
NZD/EUR	0.5499	+0.2			THB	34.10	-0.1	Nikkei	39,457	-0.0	19.7	Cotton	69.22	-0.1	
NZD/GBP	0.4558	-0.2			KRW	1,438	+0.2	Shanghai	3,386	-0.2	15.1	Coffee	326.1	+2.1	
NZD/JPY	89.13	+0.6			TWD	32.48	-0.1	ASX 200	8,249	-0.6	10.8	WM powder	3880	-0.6	
NZD/CAD	0.8226	+0.3			PHP	58.67	+0.3	NZX 50	12,797	+0.3	10.8	<b>Australian Futures</b>			
NZ TWI	68.81	+0.3						VIX Index	14.38	+4.1	+17.1	3 year bond	96.16	-0.02	
<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>		<b>Last</b>		<b>Chg</b>	<b>Last</b>			<b>Chg</b>		
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day				Last	Chg			
USD	4.75	4.85	4.05	3.92	USD	4.40	0.00	15-Apr-27	3.76	0.01	BKBM 1-mth	4.38	0.00		
AUD	4.35	4.46	3.89	4.35	AUD	4.32	0.03	15-May-28	3.83	0.01	BKBM 3-mth	4.27	-0.02		
NZD	4.25	4.27	3.61	4.04	NZD	4.45	0.02	20-Apr-29	3.93	0.02	1 year	3.77	0.01		
EUR	3.25	2.84	2.19	2.24	GER	2.25	-0.01	15-May-30	4.06	0.03	2 year	3.61	0.01		
GBP	4.75	5.30	4.19	3.95	GBP	4.44	0.03	15-May-31	4.20	0.02	3 year	3.59	0.01		
JPY	0.23	-0.03	0.63	1.04	JPY	1.07	0.03	15-May-32	4.32	0.02	5 year	3.70	0.02		
CAD	3.25	4.97	2.86	2.96	CAD	3.21	0.03	14-Apr-33	4.39	0.02	7 year	3.86	0.02		
							<b>NZ Inflation-Indexed Bonds</b>		15-May-34	4.45	0.02	10 year	4.04	0.02	
							Sep-30	2.32	0.00	15-May-35	4.53	0.02	15 year	4.24	0.02
							Sep-35	2.65	0.00	15-May-36	4.62	0.03			
							Sep-40	2.90	0.00	15-May-37	4.70	0.02			
										15-May-41	4.91	0.02			
										15-May-51	5.05	0.02			
										15-May-54	5.08	0.02			

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 07:01  
 Source: Bloomberg

**NZD exchange rates**

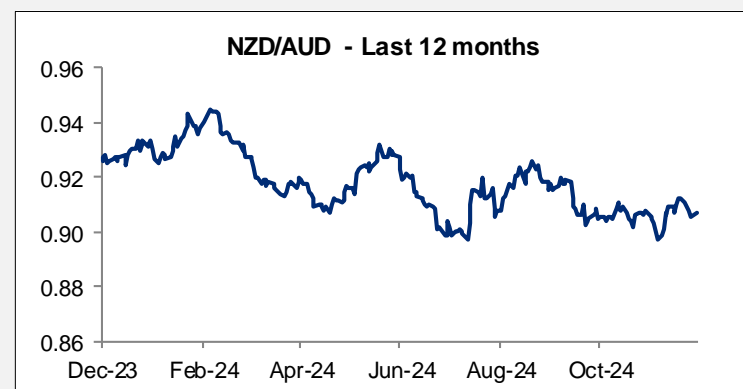
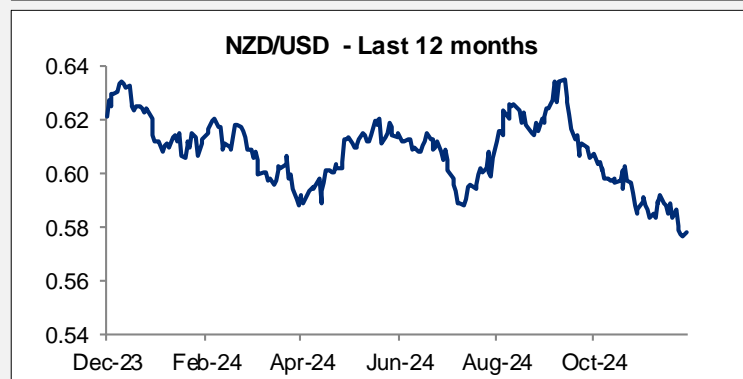
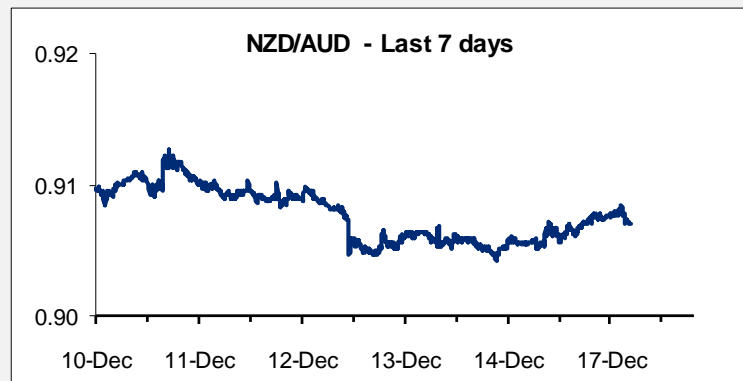
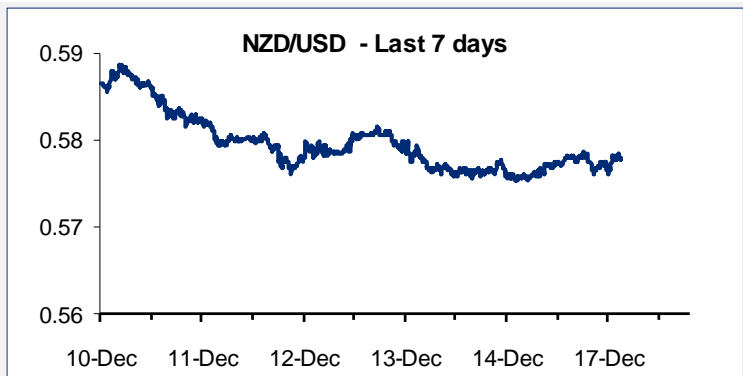
17/12/2024 7:01 am		Prev. NY close
USD	0.5781	0.5764
GBP	0.4558	0.4568
AUD	0.9071	0.9060
EUR	0.5499	0.5489
JPY	89.13	88.56
CAD	0.8226	0.8204
CHF	0.5168	0.5146
DKK	4.1022	4.0930
FJD	1.3410	1.3370
HKD	4.4947	4.4820
INR	49.06	48.88
NOK	6.4468	6.4231
PKR	160.78	160.30
PHP	33.93	33.70
PGK	2.3050	2.2955
SEK	6.2938	6.3276
SGD	0.7804	0.7774
CNY	4.2108	4.1925
THB	19.70	19.67
TOP	1.3638	1.3872
VUV	70.83	71.31
WST	1.5905	1.6054
XPF	65.67	65.51
ZAR	10.3260	10.3009

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.43	1.79
3 Months	5.09	5.60
6 Months	15.15	16.18
9 Months	26.33	28.40
1 Year	37.74	40.74

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.05	1.89
3 Months	5.98	7.35
6 Months	19.64	22.64
9 Months	33.39	38.95
1 Year	46.55	54.82



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