

# Research Markets Today

17 October 2024

## Events Round-Up

NZ: CPI (y/y%), Q3: 2.2 vs. 2.2 exp.

NZ: CPI (q/q%), Q3: 0.6 vs. 0.7 exp.

UK: CPI (y/y%), Sep: 1.7 vs. 1.9 exp.

UK: CPI Core (y/y%), Sep: 3.2 vs. 3.4 exp.

UK: CPI Services (y/y%), Sep: 4.9 vs. 5.2 exp.

## Good Morning

Newsflow has been light, but US equities are currently in positive territory after yesterday's weakness. Much weaker than expected UK CPI data pushed down UK rates, which spilled over into lower European rates and Treasuries. The USD is broadly stronger as the Trump trade continues. The NZD regained some poise after a dip following soft CPI data that saw the market bring forward NZ rate cuts. While the NZD is languishing around 0.6060, NZD/AUD and NZD/GBP crosses are higher.

US equities show a modest gain in early afternoon trading. Within the mix, banks have outperformed, with Morgan Stanley the latest to impress investors with a strong result, following good results by JP Morgan, Goldman Sachs and Citigroup. There has been a rotation into smaller cap stocks, with the Russell 2000 index up 1½% against a current 0.3% gain for the S&P500

In economic news, UK CPI inflation data came in two-tenths lower than consensus, with the headline rate falling to 1.7% y/y and the core rate down to 3.2%. The UK joined a growing group of major countries that have seen inflation falling below 2% that include Canada, Germany, France, Italy, Switzerland and Spain. The downside miss for the closely watched services CPI was even greater, three-tenths weaker than consensus at 4.9% and six-tenths weaker than the BoE's forecast of 5.5%.

The weaker inflation data reinforced the market's view that the BoE would cut rates by 25bps at the November meeting, now fully priced, and with a high chance of a follow-up 25bps cut in December. UK gilt yields fell by more than peers, led by the short end, with gilts down 9-11bps across the curve. GBP fell 0.7% following the release and much of the move was sustained, trading just below 1.30 for the first time since mid-August.

Lower UK rates spilled over into other markets, with Germany rates down 4bps across the curve and US

Treasury yields pushing lower as well, although only showing a small 1-2bps fall for the day. The 10-year Treasury yield briefly dipped below 4% and currently trades at 4.01%.

The weaker GBP spilled over into a weaker euro while broad dollar strength remains evident, the big dollar continuing to find support as the Trump trade continues as his chances of winning the Presidential election are seen to improve. The larger betting markets of Kalshi and Polymarket imply odds of a Trump victory at 57% and 59% respectively, while the smaller market of PredictIt puts his winning chance at 54%.

EUR has pushed further below 1.09 to a fresh 2½ month low around 1.0860. Lower global rates have restrained yen weakness, but USD/JPY continues to threaten a move above 150. AUD has been the weakest of the key majors we follow since this time yesterday, falling to 0.6665. The NZD weakened to a low of 0.6040 in the aftermath of a soft NZ CPI print (see below), before recovering a little, and with no further weakness overnight. It currently sits around 0.6060. It is fair to say that broad USD strength has been a larger factor than the CPI result on the currency. NZD is higher against GBP and AUD, the latter cross up to 0.9090. NZD/JPY is flat at 90.7, fully recovering the post-CPI dip and NZD/EUR is only down a touch at 0.5580.

NZ CPI data were broadly in line with market expectations, with a small downside miss relative to RBNZ estimates. Inflation has been on a steady downward path for over a year, with the annual increase of 2.2% now close to the mid-point of the target range. With the likelihood of inflation falling further against the backdrop of rising excess capacity, the market saw increased pressure on the RBNZ to bring the OCR down to a neutral level sooner rather than later.

The market priced in an increased chance of the Bank stepping up the pace of easing at the November meeting, with 58bps priced by the OIS market at the close, suggesting a more than one-third chance of a 75bps hike. Even that would leave monetary policy restrictive through the summer break. The swaps curve steepened, with lower rates led by the short end, with the 2-year rate down 9bps to 3.62% and the 10-year rate down 5bps to 4.04%.

NZDM announced the syndication panel for the tap of the nominal 2030 bond, raising speculation that the issue would be launched next week. The prospect of the increased lump of supply, probably around \$4b or higher,

hindered performance of NZGBs, resulting in bonds cheapening against swaps. NZGB rates were down just 3-4bps across most of the curve, with slightly larger moves at the very short-end, reflecting the bringing forward of rate cut expectations.

On the calendar today, Australia’s employment report is released, where the market sees the unemployment rate steady at 4.2%. China’s housing minister, joined by officials from the PBoC, MoF and NFRA, will hold a press briefing, likely providing more details on measures to support the property sector.

ECB GC members have recently guided a 25bps rate cut at tonight’s meeting, which is fully priced, so focus will be on the scale and scope for further rate cuts. US retail sales are expected to show a modest 0.3% m/m increase in September, while initial jobless claims will remain distorted by the impact of the weather and Boeing strike.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

### Coming Up

	Period	Cons.	Prev.	NZT
AU Employment change (k)	Sep	25	47	13:30
AU Unemployment rate (%)	Sep	4.2	4.2	13:30
EC ECB deposit facility rate (%)	Sep	3.25	3.5	01:15
US Retail sales (m/m%)	Sep	0.3	0.1	01:30
US Retail sales ex auto, gas (m/m%)	Sep	0.3	0.2	01:30
US Retail sales control group (m/m%)	Sep	0.3	0.3	01:30
US Philly Fed business outlook	Oct	3.0	1.7	01:30
US Initial Jobless Claims	1-Oct	260	258	01:30
US Industrial production (m/m%)	Sep	-0.1	0.8	02:15
US NAHB housing market index	Oct	42	41	03:00

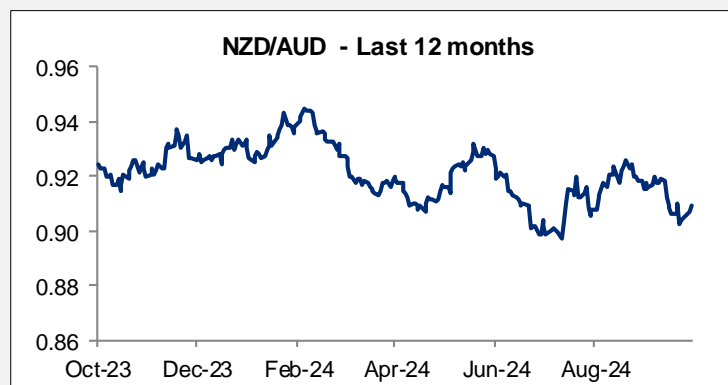
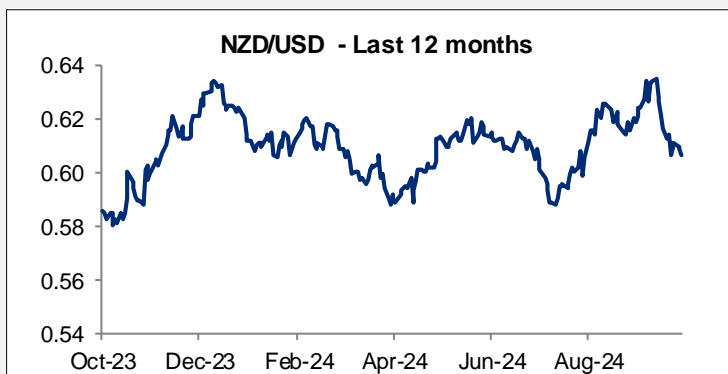
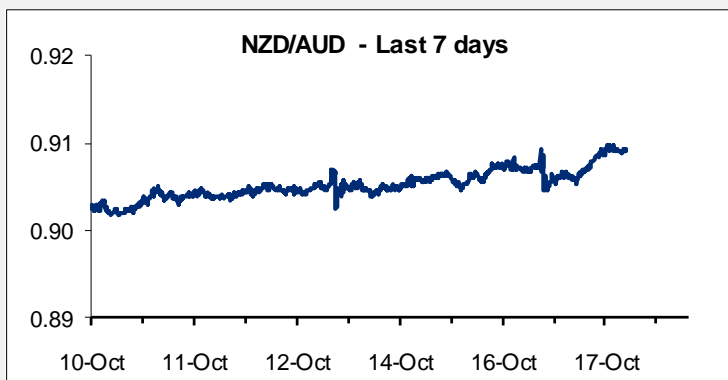
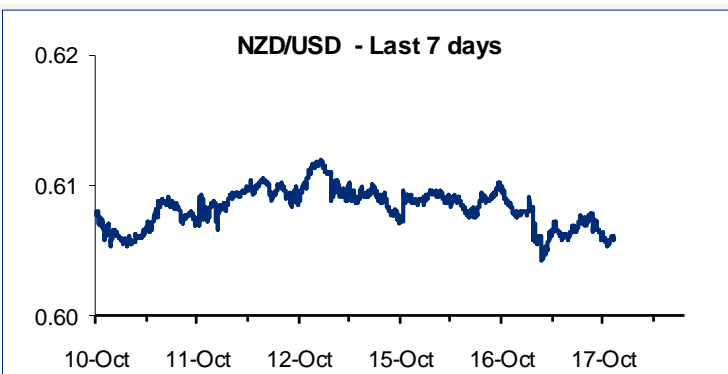
Source: Bloomberg, BNZ

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	0.6060	-0.4	0.6053	0.6080	CHF	0.8647	+0.3	S&P 500	5,832	+0.3	33.3	Oil (Brent)	74.24	+0.0
AUD	0.6666	-0.6	0.6658	0.6696	SEK	10.509	+0.9	Dow	42,982	+0.6	26.5	Oil (WTI)	70.43	-0.2
EUR	1.0862	-0.3	1.0862	1.0901	NOK	10.926	+1.0	Nasdaq	18,350	+0.2	35.2	Gold	2674.0	+0.5
GBP	1.2994	-0.6	1.2983	1.3054	HKD	7.771	+0.0	Stoxx 50	4,909	-0.8	18.3	HRC steel	705.0	+1.0
JPY	149.76	+0.4	149.15	149.79	CNY	7.119	-0.0	FTSE	8,329	+1.0	9.2	CRB	282.9	-1.5
CAD	1.3766	-0.1			SGD	1.313	+0.3	DAX	19,433	-0.3	27.5	Wheat Chic.	606.5	+1.0
NZD/AUD	0.9091	+0.2			IDR	15,510	-0.5	CAC 40	7,492	-0.4	6.7	Sugar	22.00	-3.5
NZD/EUR	0.5579	-0.1			THB	33.22	-0.3	Nikkei	39,180	-1.8	22.3	Cotton	71.40	+1.1
NZD/GBP	0.4664	+0.2			KRW	1,364	-0.1	Shanghai	3,203	+0.1	3.9	Coffee	258.0	+0.1
NZD/JPY	90.75	-0.0			TWD	32.18	-0.0	ASX 200	8,285	-0.4	17.4	WM powder	3575	-0.3
NZD/CAD	0.8342	-0.5			PHP	57.78	-0.1	NZX 50	12,641	-1.6	12.7	<b>Australian Futures</b>		
NZ TWI	70.24	-0.2						VIX Index	20.00	-3.1	+16.2	3 year bond	96.28	0.04
<b>Interest Rates</b>												10 year bond 95.81 0.02		
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	5.00	4.85	3.74	3.55	USD	4.01	-0.02	15-May-26	3.85	-0.06	BKBM 1-mth	4.88	0.00	
AUD	4.35	4.39	3.83	4.26	AUD	4.20	-0.05	15-Apr-27	3.77	-0.06	BKBM 3-mth	4.62	-0.04	
NZD	4.75	4.62	3.62	4.04	NZD	4.40	-0.03	15-May-28	3.83	-0.05	1 year	3.94	-0.07	
EUR	3.50	3.22	2.36	2.38	GER	2.18	-0.04	20-Apr-29	3.94	-0.04	2 year	3.62	-0.09	
GBP	5.00	5.30	3.92	3.70	GBP	4.06	-0.10	15-May-30	4.06	-0.04	3 year	3.57	-0.08	
JPY	0.23	-0.03	0.49	0.93	JPY	0.96	-0.02	15-May-31	4.17	-0.03	5 year	3.69	-0.06	
CAD	4.25	4.97	2.91	2.98	CAD	3.10	-0.04	15-May-32	4.27	-0.03	7 year	3.85	-0.06	
						<b>NZ Inflation-Indexed Bonds</b>						10 year 4.04 -0.05		
						Sep-30	2.42	-0.01	15-May-34	4.40	-0.03	15 year	4.27	-0.04
						Sep-35	2.72	-0.01	15-May-35	4.49	-0.02			
						Sep-40	2.98	-0.01	15-May-36	4.58	-0.02			
									15-May-37	4.64	-0.03			
									15-May-41	4.83	-0.03			
									15-May-51	4.94	-0.03			
									15-May-54	4.96	-0.03			

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 06:51  
 Source: Bloomberg

**NZD exchange rates**

17/10/2024 6:52 am		Prev. NY close
USD	0.6060	0.6083
GBP	0.4664	0.4653
AUD	0.9091	0.9075
EUR	0.5579	0.5584
JPY	90.75	90.76
CAD	0.8342	0.8379
CHF	0.5240	0.5242
DKK	4.1620	4.1669
FJD	1.3539	1.3697
HKD	4.7092	4.7247
INR	50.90	51.12
NOK	6.6209	6.5810
PKR	168.36	169.36
PHP	35.00	35.19
PGK	2.3774	2.3892
SEK	6.3682	6.3331
SGD	0.7957	0.7964
CNY	4.3144	4.3308
THB	20.12	20.29
TOP	1.3915	1.4150
VUV	72.43	72.86
WST	1.6372	1.6445
XPF	66.44	66.51
ZAR	10.6907	10.7261



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.90	1.11
3 Months	5.32	5.77
6 Months	11.26	12.26
9 Months	16.94	18.96
1 Year	22.12	25.12

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.58	-2.10
3 Months	-1.29	-0.21
6 Months	6.72	9.08
9 Months	17.71	22.62
1 Year	29.91	37.13

# Contact Details

## BNZ Research

**Stephen Toplis**  
Head of Research

**Doug Steel**  
Senior Economist

**Jason Wong**  
Senior Markets Strategist

**Stuart Ritson**  
Senior Interest Rate Strategist

**Matt Brunt**  
Economist

**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.