

# Research Markets Today

18 November 2024

## Events Round-Up

NZ: Manufacturing PMI, Oct: 45.8 vs. 46.0 prev.  
 JN: GDP (q/q%), Q3: 0.2 vs. 0.2 exp.  
 CH: Industrial production (y/y%), Oct: 5.3 vs. 5.6 exp.  
 CH: Retail sales (y/y%), Oct: 4.8 vs. 3.8 exp.  
 CH: Fixed investment (y/y%), Oct: 3.4 vs. 3.5 exp.  
 UK: Industrial production (m/m%), Sep: -0.5 vs. 0.1 exp.  
 UK: GDP (q/q%), Q3: 0.1 vs. 0.2 exp.  
 US: Empire manufacturing, Nov: 31.2 vs. 0 exp.  
 US: Retail sales (m/m%), Oct: 0.4 vs. 0.3 exp.  
 US: Retail sales x auto, gas (m/m%), Oct: 0.1 vs. 0.3 exp.  
 US: Retail sales control group, Oct: -0.1 vs. 0.3 exp.  
 US: Industrial production (m/m%), Oct: -0.3 vs. -0.3 exp.

## Good Morning

US equities ended the week on a soft note with the S&P closing 1.3% lower. The index has retraced close to half of the 5% gains made following the election. Comments by US Federal Reserve Chair Powell that there is no need to hurry to cut rates given the strong economy, also weighed on sentiment, with the market reducing the chance of a 25bp cut at the December FOMC. An initial sell-off in US treasuries after the release of retail sales reversed, and the dollar index ended unchanged, with divergent performance across major currencies.

US headline retail sales rose more than forecast in October and were underpinned by a rebound in car sales. The core measure which, excludes autos and gas, and the control group were weaker than expected, but there were significant upward revisions to the previous month, suggesting momentum in consumer spending remains robust. Looking ahead, consumer sentiment is likely to be supported by expectations of tax cuts and higher stock prices.

The Empire manufacturing survey surged to 31.2 which is the highest level since December 2021. This series can be volatile but bodes well for the regional Fed business surveys and the preliminary November PMI reports this week. Most of the respondents in these surveys have noted the prospect for business activity to pick up once the US election has passed.

The market is pricing close to a 50% chance the Fed will cut rates by 25bp at its December meeting compared with 80% earlier last week. Powell's comments, which increased the prospect for a pause in the easing cycle, contributed to reduced easing expectations. Front end treasury reached a 4.37% peak in the aftermath of the retail sales report, but retraced to close the week at 4.30%, as equities fell towards the session lows.

Yields on 10-year notes touched 4.50%, which is the highest since May and attracted fresh demand from investors. Yields retraced from the sessions highs and ended unchanged at 4.44%. 10-year German bunds closed 2bp higher at 2.35% while 10-year JGBs edged up to 1.07% and look set to retest the multi-year peak at 1.09%, reached back in July.

The US dollar was mixed on the major cross rate while the dollar index was broadly stable. The pound underperformed within the group of G10 currencies as Q3 GDP printed marginally below consensus estimates. The yen gained more than 1% against the dollar. Comments from Finance Minister Kato that authorities are monitoring the market with 'a high sense of urgency' provided support.

The Japanese economy expanded 0.2% in Q3 matching consensus estimates. Private consumption expanded faster than expected and the GDP deflator rose 2.5%, which is above the bank's 2% inflation target, and supports the case for further policy normalisation. The market is pricing 14bp of tightening at the Bank of Japan's December meeting.

The Peoples Bank of China set a stronger than anticipated yuan fix for the third consecutive session. The signalling is clear that the Central Bank is uncomfortable with the pace of the yuan's decline. China's monthly activity data for October suggests that stimulus measures are yet to have a significant impact on the economy.

Currency moves outside of the yen and pound were modest. The NZD ended the week unchanged against the dollar, consolidating near the 2024 lows.

It was a quiet end to the week for NZ fixed income in the local session on Friday. An initial move higher in yield following Powells comments faded, and 2-year swaps ended unchanged at 3.93%. The curve flattened with 10-year rates closing 3bps lower at 4.33%.

10Y NZGB yields decreased 1bp to 4.70% and remain marginally below the recent high. Australian 10-year government bond futures are ~4bp lower in yield terms, since the local close on Friday, suggesting a downwards bias for NZ yields on the open.

The services PMI is released today along with Q3 PPI in what is a quiet week for NZ and international economic data. The manufacturing PMI, released on Friday, declined relative to the level in September, and extended the period in contractionary territory to 20 consecutive months. Looking ahead to the remainder of the week, advance PMIs for the US and Europe will be closely monitored. CPI and retail sales are released in the UK.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance Services Index	Oct	45.7	10:30	
NZ	PPI Output (q/q%)	3Q	1.1	10:45	
US	NAHB Housing Market Index	Nov	42	43	04:00
EC	ECB's Lagarde Speaks in Paris				07:30

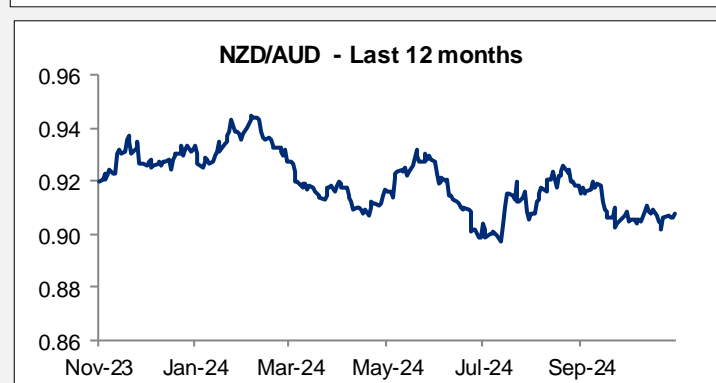
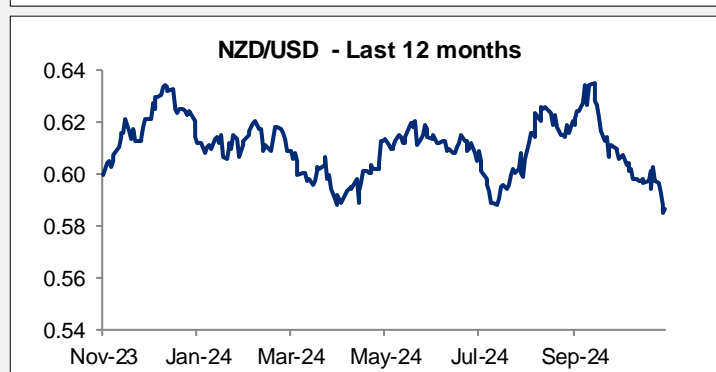
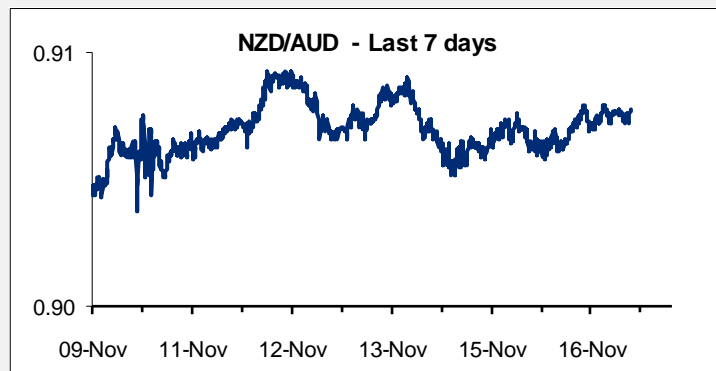
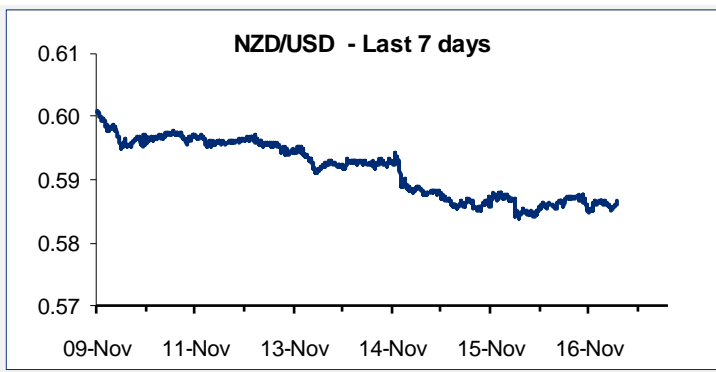
Source: Bloomberg, BNZ

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	0.5866	+0.3	0.5848	0.5880	CHF	0.8878	-0.3	S&P 500	5,886	-1.3	30.7	Oil (Brent)	71.87	-2.1
AUD	0.6463	+0.1	0.6443	0.6481	SEK	10.976	-0.2	Dow	43,463	-0.7	24.2	Oil (WTI)	67.98	-2.5
EUR	1.0547	+0.1	1.0523	1.0593	NOK	11.081	-0.6	Nasdaq	18,732	-2.2	32.8	Gold	2568.5	-0.2
GBP	1.2639	-0.4	1.2612	1.2697	HKD	7.786	+0.0	Stoxx 50	4,797	-0.8	11.2	HRC steel	692.0	-0.1
JPY	154.75	-1.3	153.86	156.51	CNY	7.230	+0.0	FTSE	8,066	-0.1	7.7	CRB	280.5	-0.3
CAD	1.4075	+0.2			SGD	1.342	-0.3	DAX	19,220	-0.3	22.0	Wheat Chic.	556.3	+1.1
NZD/AUD	0.9076	+0.1			IDR	15,874	+0.1	CAC 40	7,275	-0.6	0.9	Sugar	21.69	+0.1
NZD/EUR	0.5562	+0.1			THB	34.83	-0.5	Nikkei	38,643	+0.3	15.1	Cotton	66.77	-2.2
NZD/GBP	0.4641	+0.6			KRW	1,398	-0.4	Shanghai	3,331	-1.5	9.0	Coffee	282.3	+1.4
NZD/JPY	90.78	-1.1			TWD	32.47	-0.2	ASX 200	8,285	+0.7	17.5	WM powder	3840	-0.9
NZD/CAD	0.8256	+0.4			PHP	58.74	-0.1	NZX 50	12,685	-0.1	13.5	<b>Australian Futures</b>		
NZ TWI	69.39	+0.0						VIX Index	15.50	+8.3	+9.3	3 year bond	95.83	0.04
<b>Interest Rates</b>														
	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	4.10	3.95	USD	4.46	0.02	15-Apr-27	4.05	0.00	BKBM 1-mth	4.57	0.00	
AUD	4.35	4.42	4.10	4.60	AUD	4.64	-0.06	15-May-28	4.13	0.00	BKBM 3-mth	4.45	0.00	
NZD	4.75	4.45	3.91	4.33	NZD	4.71	0.00	20-Apr-29	4.24	0.00	1 year	4.03	0.00	
EUR	3.25	3.01	2.21	2.30	GER	2.36	0.02	15-May-30	4.37	0.00	2 year	3.91	0.00	
GBP	4.75	5.30	4.27	4.01	GBP	4.47	-0.01	15-May-31	4.49	0.00	3 year	3.90	0.00	
JPY	0.23	-0.03	0.63	1.07	JPY	1.07	0.01	15-May-32	4.58	0.00	5 year	4.01	0.00	
CAD	3.75	4.97	3.03	3.13	CAD	3.30	0.02	14-Apr-33	4.65	0.00	7 year	4.16	0.00	
								15-May-34	4.71	0.00	10 year	4.33	0.00	
								15-May-35	4.79	0.00	15 year	4.55	0.00	
								15-May-36	4.87	0.00				
								15-May-37	4.94	0.00				
								15-May-41	5.12	0.00				
								15-May-51	5.25	0.00				
								15-May-54	5.27	0.00				

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
Rates at NY close  
Source: Bloomberg

**NZD exchange rates**

16/11/2024	NY close	Prev. NY close
USD	0.5866	0.5850
GBP	0.4641	0.4619
AUD	0.9076	0.9064
EUR	0.5562	0.5556
JPY	90.78	91.42
CAD	0.8256	0.8225
CHF	0.5204	0.5208
DKK	4.1454	4.1436
FJD	1.3356	1.3417
HKD	4.5640	4.5522
INR	49.48	49.36
NOK	6.4959	6.5232
PKR	162.88	162.41
PHP	34.44	34.39
PGK	2.3225	2.3095
SEK	6.4342	6.4325
SGD	0.7869	0.7875
CNY	4.2386	4.2279
THB	20.41	20.53
TOP	1.3699	1.3804
VUV	71.76	71.67
WST	1.6103	1.6070
XPF	66.24	66.19
ZAR	10.6939	10.6884



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.69	1.91
3 Months	5.83	6.28
6 Months	14.41	15.44
9 Months	22.60	24.60
1 Year	29.32	32.32

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.21	0.74
3 Months	3.77	5.09
6 Months	16.05	18.62
9 Months	29.52	34.57
1 Year	41.18	48.63

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