

Research Markets Today

19 December 2024

Events Round-Up

NZ: Westpac consumer confidence, Q4: 97.5 vs. 90.8 prev.

NZ: Current a/c balance (ann %GDP), Q3: -6.4 vs. -6.6 exp.

UK: CPI (y/y%), Nov: 2.6 vs. 2.6 exp.

UK: CPI Core (y/y%), Nov: 3.5 vs. 3.6 exp.

UK: CPI services (y/y%), Nov: 5.0 vs. 5.1 exp.

US: Building permits (k), Nov: 1505 vs. 1430 exp.

US: Housing starts (k), Nov: 1289 vs. 1344 exp.

Good Morning

Global asset market markets were broadly stable ahead of the US Federal Reserve's interest rate decision. The S&P was confined to a narrow range with the index consolidating just below its record high. Moves in European equity markets were also subdued with the Euro Stoxx closing 0.3% higher. The US Dollar remained well underpinned against G10 currencies and global bond yields are little changed with limited economic data or other catalysts to provide direction.

UK headline CPI accelerated to a 2.6% annual rate in November, which was in line with consensus estimates, and compared with a 2.3% increase in October. Core and services inflation were both marginally lower than estimated. Base effects in the goods sector and higher energy prices have pushed prices above Bank of England's 2% target, and aren't expected to decline for several months, which supports its gradual approach to cutting interest rates.

The BOE is universally expected to keep rates unchanged at 4.75% at its policy meeting later this evening and market pricing implies around 60bp of easing by the end of next year. There isn't a press conference or updated economic forecasts alongside the December meeting.

An initial drift higher in US treasury yields reversed and 10-year notes are unchanged at 4.40%. European bond yields are modestly higher - 10-year bunds increased 2bp to 2.24% while gilts added 3bp to close at 4.56%.

Chinese government bond yields stabilised near record lows, on reports the Peoples Bank of China (PBOC) has signalled to investors, that the rally has gone far enough for now. The guidance suggests the yields find some

support near current levels while the market looks for fresh catalysts from the macro data.

The US dollar was well-underpinned ahead of the FOMC. In the majors, the euro and yen are about 0.3% weaker. The pound was the best performing G10 currency and is unchanged against the dollar. The Australasian currencies remained under pressure, and both declined to fresh lows for the year.

NZD/USD extended lower and traded below 0.5720. The NZD is modestly weaker on the major crosses. The largest move was in NZD/GBP which is approaching 0.4500.

It was a quiet session for NZ fixed income in the local session yesterday. Swap rates decreased 2-3bp across the curve. 2-year yields closed at 3.57% with the early October low of 3.51% remaining a near term target. The market looked past consumer confidence data, which revealed a further lift in Q4, and is consistent with a pickup in spending next year.

The modest rally in swaps was matched by the government curve. 10-year bonds closed 2bp lower at 4.44%. Australian 10-year government bond futures are unchanged since the local close yesterday.

The initial focus for markets this morning (8am NZT) will be the December FOMC, which is followed by a news conference by Fed Chair Jerome Powell, 30 minutes later. The Fed is widely expected to cut rates by 25bp, and this outcome is largely discounted by market pricing. Updated projections are likely to show less easing for 2025, compared with September, and open the way for a pause in the cutting cycle, dependent on the incoming economic data.

NZ Q3 GDP data is likely to confirm the economy contracted for the second consecutive quarter. We forecast a 0.4% contraction, which is below the RBNZ's -0.2% forecast, from the November Monetary Policy Statement. There will also be significant revisions included in this release.

The Bank of Japan is expected to hold rates steady and set the ground for a hike in January.

stuart.ritson@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
US	FOMC Rate Decision (Upper Bound)	Dec	4.5	4.75	08:00
NZ	GDP SA (q/q%)	3Q	-0.2	-0.2	10:45
NZ	ANZ Activity Outlook	Dec		48	13:00
GE	GfK Consumer Confidence	Jan	-22.5	-23.3	20:00
JN	BOJ Target Rate	Dec	0.25	0.25	
UK	Bank of England Bank Rate	Dec	4.75	4.75	01:00
US	Philadelphia Fed Business Outlook	Dec	2.8	-5.5	02:30
US	Initial Jobless Claims	14 Dec	230	242	02:30
US	Existing Home Sales (m/m%)	Nov	3.33	3.4	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	0.5721	-0.6	0.5716	0.5748	CHF	0.8931	+0.0	S&P 500	6,062	+0.2	27.9	Oil (Brent)	73.95	+1.1
AUD	0.6303	-0.5	0.6299	0.6327	SEK	10.968	+0.0	Dow	43,663	+0.4	17.0	Oil (WTI)	71.05	+1.5
EUR	1.0474	-0.2	1.0467	1.0513	NOK	11.239	+0.4	Nasdaq	20,149	+0.2	35.2	Gold	2634.9	-0.4
GBP	1.2703	-0.0	1.2680	1.2722	HKD	7.770	+0.0	Stoxx 50	4,957	+0.3	9.6	HRC steel	680.0	+0.7
JPY	153.94	+0.3	153.34	154.09	CNY	7.286	+0.0	FTSE	8,199	+0.0	7.7	CRB	290.9	-0.8
CAD	1.4327	+0.1			SGD	1.353	+0.2	DAX	20,243	-0.0	21.6	Wheat Chic.	555.5	+0.1
NZD/AUD	0.9077	-0.0			IDR	16,098	-0.0	CAC 40	7,385	+0.3	-2.4	Sugar	19.68	-0.9
NZD/EUR	0.5462	-0.4			THB	34.25	+0.2	Nikkei	39,082	-0.7	17.6	Cotton	68.39	-0.5
NZD/GBP	0.4504	-0.6			KRW	1,438	+0.1	Shanghai	3,382	+0.6	15.3	Coffee	333.4	+2.5
NZD/JPY	88.07	-0.2			TWD	32.47	-0.1	ASX 200	8,309	-0.1	11.0	WM powder	3730	-3.1
NZD/CAD	0.8196	-0.4			PHP	59.01	+0.2	NZX 50	12,866	-0.4	10.7	Australian Futures		
NZ TWI	68.30	-0.4						VIX Index	15.25	-3.9	+21.4	3 year bond	96.22	0.03
Interest Rates										10 year bond 95.68 0.01				
	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	4.05	3.91	USD	4.39	-0.00	15-Apr-27	3.73	-0.03	BKBM 1-mth	4.37	0.00	
AUD	4.35	4.47	3.85	4.29	AUD	4.28	-0.02	15-May-28	3.80	-0.03	BKBM 3-mth	4.25	-0.01	
NZD	4.25	4.25	3.57	3.99	NZD	4.44	-0.02	20-Apr-29	3.90	-0.03	1 year	3.72	-0.02	
EUR	3.00	2.87	2.18	2.25	GER	2.25	0.02	15-May-30	4.04	-0.02	2 year	3.57	-0.02	
GBP	4.75	5.30	4.34	4.06	GBP	4.56	0.03	15-May-31	4.19	-0.02	3 year	3.54	-0.02	
JPY	0.23	-0.03	0.63	1.04	JPY	1.08	-0.00	15-May-32	4.30	-0.02	5 year	3.65	-0.02	
CAD	3.25	4.97	2.85	2.93	CAD	3.18	0.04	14-Apr-33	4.37	-0.02	7 year	3.81	-0.02	
								15-May-34	4.44	-0.02	10 year	3.99	-0.02	
								15-May-35	4.53	-0.02	15 year	4.19	-0.03	
								15-May-36	4.61	-0.02				
								15-May-37	4.70	-0.02				
								15-May-41	4.91	-0.02				
								15-May-51	5.05	-0.02				
								15-May-54	5.07	-0.03				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer					NZ Inflation-Indexed Bonds									
Rates are as of: NZT 06:30					Sep-30	2.36	-0.00							
Source: Bloomberg					Sep-35	2.69	-0.00							
					Sep-40	2.94	-0.00							

NZD exchange rates

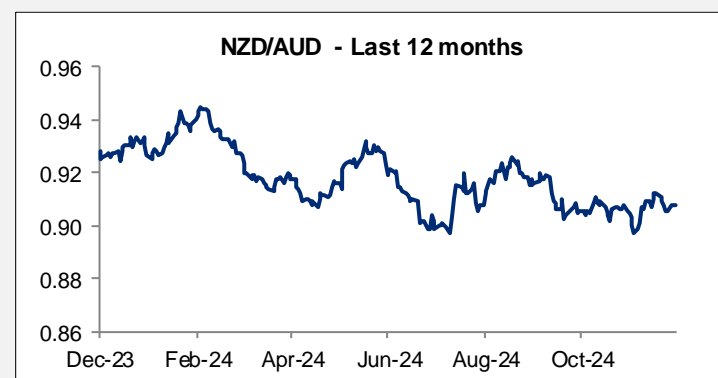
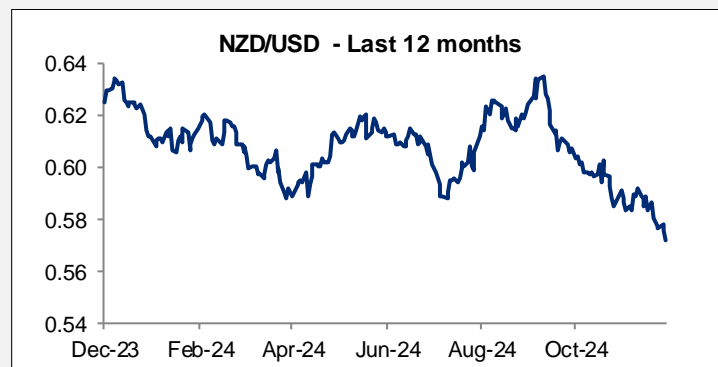
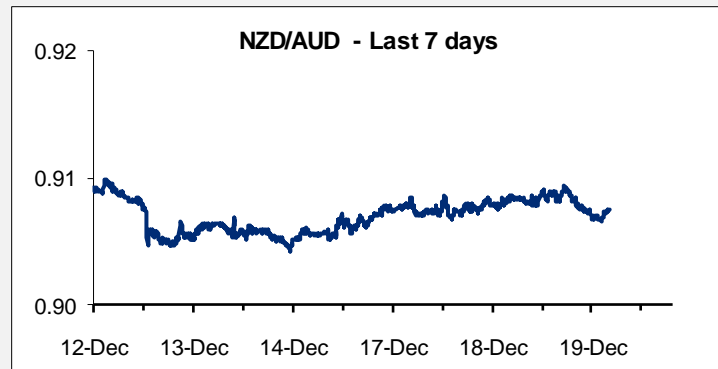
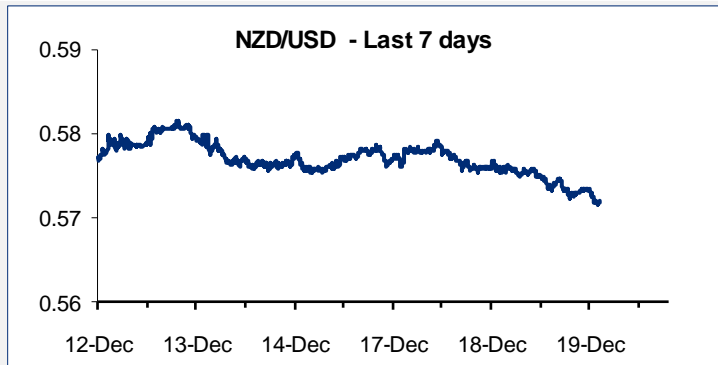
19/12/2024	6:30 am	Prev. NY close
USD	0.5721	0.5754
GBP	0.4504	0.4527
AUD	0.9077	0.9080
EUR	0.5462	0.5485
JPY	88.07	88.30
CAD	0.8196	0.8234
CHF	0.5109	0.5137
DKK	4.0751	4.0914
FJD	1.3219	1.3289
HKD	4.4454	4.4705
INR	48.60	48.85
NOK	6.4300	6.4403
PKR	159.11	160.03
PHP	33.75	33.88
PGK	2.2793	2.3062
SEK	6.2749	6.3080
SGD	0.7739	0.7768
CNY	4.1685	4.1913
THB	19.60	19.72
TOP	1.3739	1.3749
VUV	70.82	71.23
WST	1.5858	1.5858
XPF	65.10	65.43
ZAR	10.3486	10.4169

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.16	1.56
3 Months	4.93	5.58
6 Months	15.50	16.90
9 Months	27.00	29.36
1 Year	38.50	41.50

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.01	1.93
3 Months	6.01	7.72
6 Months	19.01	22.96
9 Months	32.20	38.40
1 Year	44.19	53.23



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

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