

Research Markets Today

20 November 2024

Events Round-Up

US: Housing starts (m/m%), Oct: -3.1 vs. -1.5 exp.

US: Building permits (m/m%), Oct: -0.6 vs. 0.7 exp.

CA: CPI (y/y%), Oct: 2.0 vs. 1.9 exp.

CA: CPI core (avg med/trim y/y%), Oct: 2.55 vs. 2.4 exp.

Good Morning

There has been some market volatility overnight, on geopolitical news, following Russia's publication of an updated nuclear arms doctrine and Ukraine firing long-range missiles into Russia. This caused a risk-off move, but markets quickly settled, and the net impact has been small. US equities are slightly stronger, US Treasury yields are slightly lower and commodity currencies have outperformed. The NZD has pushed up just over 0.59.

Overnight, Russian President Putin signed an updated nuclear arms doctrine which included a possibility of a nuclear response to aggression by non-nuclear states that is supported by other nuclear powers. Russia signalled back in September that it would revise its nuclear doctrine rules. A Kremlin spokesman said "it was necessary to bring our principles in line with the current situation".

Soon after, there were reports that Ukraine fired a volley of long-range missiles aimed at a military base on Russian territory. This followed the move by the US to allow Ukraine to use US-made long-range missiles for this purpose. Russia reported that five out of the six missiles launched were intercepted and a missile hit an ammunition depot with no casualties.

Russian Foreign Minister sought to calm worries about a nuclear escalation saying, "we are strongly in favour of doing everything not to allow nuclear war to happen".

These headlines caused some market volatility. US S&P500 futures were down 1¼% at one stage before recovering. In early afternoon trading, the S&P500 is up 0.2. The Euro Stoxx 600 recovered an earlier hefty loss but still closed down 0.4%.

US Treasuries were well supported on the first headlines and the market has continued to find support. Rates are lower across the curve, led by the long end. The 10-year

rate is down 4bps for the day at 4.38% after trading as low as 4.34%.

Demand for safe-haven currencies drove a lift in the USD and JPY, but those moves have since been washed out. The DXY index is flat for the day. US housing starts and permits were both weaker than expected. A 3.1% m/m fall in housing starts in October was weighed by the impact of hurricanes Helene and Milton. Permits, less affected by the weather, fell 0.6% m/m.

The NZD dipped below 0.5875 but has since recovered, pushing up through 0.59, with commodity currencies modestly outperforming. The AUD is up modestly to 0.6525.

The CAD found some support after stronger than expected CPI data. USD/CAD is 0.3% for the day to 1.3975. The headline CPI rate rose four-tenths to 2.0% and the average of the trim and weighted median measures rose two-tenths to 2.55%. Canadian rates rose after the release, as it raised some doubt whether the Bank of Canada would opt for another 50bps cut next month, with pricing for the meeting trimmed to 33bps.

European currencies have been weighed by the increased geopolitical risk in the region., although only show small net falls for the day, with EUR recovering to 1.0585 after falling to as low as 1.0525. NZD/EUR and NZD/GBP are up 0.3-0.4%, while other NZD crosses show little net movement.

The GDT dairy auction overnight was another positive one, with the price index up 1.9%, driven by a 3.2% gain in whole milk powder and a more modest 0.9% gain in skim milk powder. This adds further upside risk to milk price forecast calculations which have already been heading higher.

Mainly global forces drove down domestic rates yesterday, with NZGB yields down 4-6bps across the curve. Residual receiving pressure in the short end swaps market resulted in the 2-year rate marked down 7bps to 3.79%, while the 10-year rate fell 5bps to 4.26%. Ahead of the RBNZ MPS next week, it seems that a 50bps rate cut is the strong consensus view. OIS pricing for the meeting has been steady since the October MPR, with a full 50bps cut priced and a small chance of a larger 75bps move.

The economic calendar ahead remains light. UK CPI data tonight are expected to show headline inflation picking up five-tenths to 2.2% y/y, and the core rate slipping a tenth to 3.1%. The ECB publishes its indicator of euro area negotiated wages. The data will incorporate figures showing Germany recording the strongest wage growth in more than three decades, according to the Bundesbank, rising 8.8% y/y.

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Coming Up

		Period	Cons.	Prev.	NZT
CH	5-yr loan prime rate (%)	Nov	3.6	3.6	14:00
CH	1-yr loan prime rate (%)	Nov	3.1	3.1	14:00
UK	CPI (y/y%)	Oct	2.2	1.7	20:00
UK	CPI core (y/y%)	Oct	3.1	3.2	20:00
EA	ECB negotiated wages indicato	Oct			21:00

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	0.5904	+0.2	0.5874	0.5912	CHF	0.8830	-0.0	S&P 500	5,907	+0.2	30.9	Oil (Brent)	73.35	+0.1	
AUD	0.6522	+0.2	0.6482	0.6528	SEK	10.928	+0.2	Dow	43,272	-0.3	23.8	Oil (WTI)	69.34	+0.3	
EUR	1.0581	-0.2	1.0524	1.0601	NOK	10.983	-0.1	Nasdaq	18,897	+0.6	33.8	Gold	2633.6	+0.7	
GBP	1.2673	-0.0	1.2613	1.2682	HKD	7.783	-0.0	Stoxx 50	4,751	-0.8	9.5	HRC steel	686.0	-0.7	
JPY	154.75	+0.1	153.29	154.68	CNY	7.239	+0.1	FTSE	8,099	-0.1	7.9	CRB	284.0	+1.5	
CAD	1.3978	-0.3			SGD	1.339	+0.0	DAX	19,060	-0.7	19.7	Wheat Chic.	570.8	+0.9	
NZD/AUD	0.9052	-0.0			IDR	15,845	-0.1	CAC 40	7,230	-0.7	-0.1	Sugar	22.04	-0.7	
NZD/EUR	0.5580	+0.4			THB	34.51	-0.2	Nikkei	38,414	+0.5	15.1	Cotton	66.82	+0.3	
NZD/GBP	0.4659	+0.2			KRW	1,393	-0.1	Shanghai	3,346	+0.7	9.1	Coffee	281.7	-0.2	
NZD/JPY	91.36	+0.3			TWD	32.40	-0.4	ASX 200	8,374	+0.9	18.6	WM powder	3850	+0.3	
NZD/CAD	0.8253	-0.1			PHP	58.81	+0.2	NZX 50	12,816	+0.4	14.4	Australian Futures			
NZ TWI	69.71	+0.2						VIX Index	15.92	+2.2	+15.4	3 year bond	95.92	0.04	
Interest Rates															
	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	4.07	3.88	USD	4.38	-0.03	15-Apr-27	3.97	-0.06	BKBM 1-mth	4.51	-0.02		
AUD	4.35	4.42	4.04	4.53	AUD	4.56	-0.04	15-May-28	4.06	-0.05	BKBM 3-mth	4.42	-0.01		
NZD	4.75	4.42	3.79	4.26	NZD	4.61	-0.05	20-Apr-29	4.16	-0.05	1 year	3.94	-0.05		
EUR	3.25	3.00	2.26	2.32	GER	2.34	-0.04	15-May-30	4.29	-0.05	2 year	3.79	-0.07		
GBP	4.75	5.30	4.26	3.97	GBP	4.44	-0.02	15-May-31	4.40	-0.05	3 year	3.79	-0.06		
JPY	0.23	-0.03	0.61	1.03	JPY	1.07	-0.02	15-May-32	4.49	-0.05	5 year	3.92	-0.06		
CAD	3.75	4.97	3.06	3.13	CAD	3.31	0.03	14-Apr-33	4.56	-0.05	7 year	4.08	-0.05		
							NZ Inflation-Indexed Bonds		15-May-34	4.61	-0.05	10 year	4.26	-0.05	
							Sep-30	2.50	-0.03	15-May-35	4.69	-0.05	15 year	4.47	-0.05
							Sep-35	2.83	-0.03	15-May-36	4.78	-0.04			
							Sep-40	3.07	-0.02	15-May-37	4.84	-0.04			
									15-May-41	5.03	-0.04				
									15-May-51	5.16	-0.04				
									15-May-54	5.18	-0.04				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:56

Source: Bloomberg

NZD exchange rates

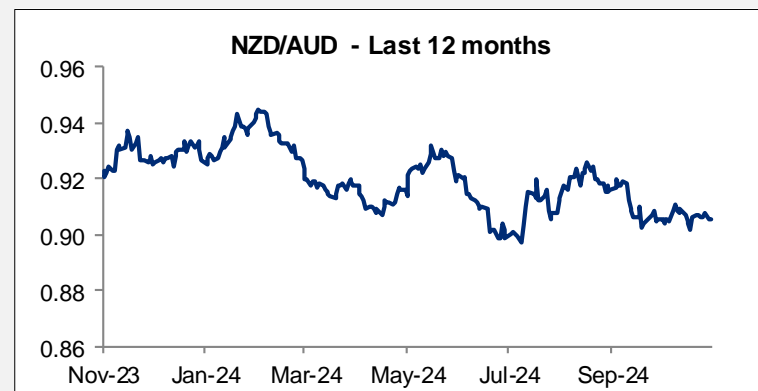
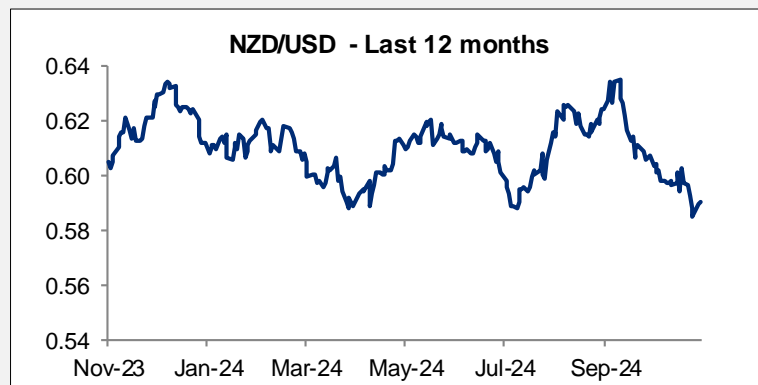
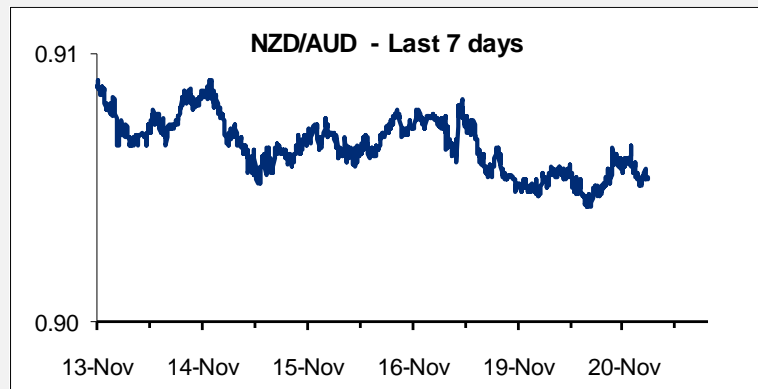
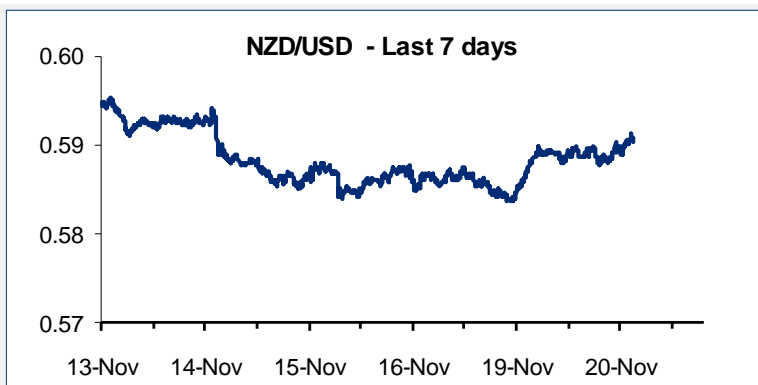
20/11/2024 6:56 am		Prev. NY close
USD	0.5904	0.5893
GBP	0.4659	0.4648
AUD	0.9052	0.9055
EUR	0.5580	0.5560
JPY	91.36	91.14
CAD	0.8253	0.8259
CHF	0.5213	0.5204
DKK	4.1621	4.1474
FJD	1.3391	1.3464
HKD	4.5952	4.5869
INR	49.84	49.73
NOK	6.4844	6.4819
PKR	164.05	163.60
PHP	34.72	34.58
PGK	2.3410	2.3348
SEK	6.4520	6.4276
SGD	0.7905	0.7889
CNY	4.2737	4.2618
THB	20.43	20.51
TOP	1.3872	1.3928
VUV	72.13	71.45
WST	1.6194	1.6142
XPF	66.51	66.33
ZAR	10.6610	10.5854

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.12	2.31
3 Months	6.09	6.58
6 Months	15.71	16.78
9 Months	25.60	27.77
1 Year	34.39	37.39

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.56	1.03
3 Months	3.85	5.02
6 Months	16.80	19.45
9 Months	31.64	36.99
1 Year	45.78	53.12



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