

Research Markets Today

21 October 2024

Events Round-Up

JN: CPI (y/y%), Sep: 2.5 vs. 2.5 exp.
 JN: CPI ex fresh food, energy (y/y%), Sep: 2.1 vs. 2.0 exp.
 CH: GDP (y/y%), Q3: 4.6 vs. 4.5 exp.
 CH: GDP (q/q%), Q3: 0.9 vs. 1.1 exp.
 CH: Industrial production (y/y%), Sep: 5.4 vs. 4.6 exp.
 CH: Retail sales (y/y%), Sep: 3.2 vs. 2.5 exp.
 CH: Fixed assets invest. (YTD, y/y%), Sep: 3.4 vs. 3.3 exp.
 UK: Retail sales ex auto fuel (m/m%), Sep: 0.3 vs. -0.3 exp.
 US: Housing starts (m/m%), Sep: -0.5 vs. -0.4 exp.
 US: Building permits (m/m%), Sep: -2.9 vs. -0.7 exp.

Good Morning

Last week ended on a quiet note, but that didn't stop US equities extending their record-breaking run. There were only small moves in US Treasury yields and currency movements were modest. The NZD traded a tight range and closed the week around 0.6070.

There were only second-tier economic releases on Friday night. US housing starts fell 0.5% m/m in September, in line with expectations, with weakness in multi-family homes offsetting strength in single-family homes. Permits fell by 2.9% m/m. UK retail sales volumes (ex-auto fuel) unexpectedly rose 0.3% in September, after strength over July/August, meaning that spending in Q3 was strong overall.

The data had little impact on the market. US equities showed a modest gain, with the S&P500 up 0.4%, taking its weekly gain to 0.9%, making it a sixth successive week of gains. The equally weighted index closed at a fresh record high, suggesting increasing breadth to the rally. The earnings seasons so far has been solid, economic data have been robust and the odds of Trump winning the presidential race has risen, all market-supportive factors. US Treasury yields showed little net movement for the day, with the 2-year rate closing down 2bps at 3.95% and the 10-year rate was down by less than 1bp to 4.08%.

During the NZ trading session on Friday, China monthly activity data for September were stronger than expected, with retail sales and industrial production picking up during the month. Q3 GDP rose 0.9% q/q, up from a downwardly revised 0.5% in Q2, still weak by China standards. Easier

policy should help sustain positive momentum into Q4. After the figures were released, PBoC Governor Pan flagged the real estate and stock markets as key challenges in the economy that require targeted support, comments which supported Chinese equities, with the CSI300 index closing up 3.6%, while also supporting the yuan.

Japan CPI inflation fell to 2.5% y/y in September (from 3.0%), with the figure weighed down by the impact of government subsidies for utilities. The figure was in line with expectations, but high by global standards where most of the G10 now has inflation below 2%. Inflation has tracked above the 2% target for a full 2½ years now, making BoJ rhetoric that deflation has yet to be beaten laughable. The core measures were a tenth higher than expected, with the ex-fresh food and energy measure up a tick to 2.1%. Inflation just needs to hang around this rate for the BoJ's normalisation process to continue, but another hike at month-end can be ruled out due to the timing of the Lower House election, making December the earliest possible date.

Currency movements on Friday were modest. The NZD continued to trade in a tight range and closed just over 0.6070. The AUD finished the week just over 0.67 and NZD/AUD was a touch higher around 0.9055.

The yen was the strongest of the majors, reversing course after its brief run above 150 on USD/JPY, closing the week closer to 149.50. GBP and EUR made small gains.

Domestic bonds performed well on Friday, outperforming on a cross-market performance despite the looming syndication deal this week. Against the backdrop of higher global rates, NZGB yields rose only 3-4bps across most of the curve (4-years and beyond) and swap rates were up 3-5bps.

The economic calendar is light in the week ahead, with a dearth of top tier data.

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Coming Up

		Period	Cons.	Prev.	NZT
CH	5-Year loan prime rate	Oct	3.65	3.85	14:00
CH	1-Year loan prime rate	Oct	3.15	3.35	14:00

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	0.6072	+0.2	0.6060	0.6080	CHF	0.8648	-0.1	S&P 500	5,865	+0.4	38.8	Oil (Brent)	73.06	-1.9	
AUD	0.6706	+0.1	0.6698	0.6719	SEK	10.521	-0.2	Dow	43,276	+0.1	30.6	Oil (WTI)	69.22	-2.1	
EUR	1.0868	+0.3	1.0834	1.0868	NOK	10.924	+0.1	Nasdaq	18,490	+0.6	42.4	Gold	2713.7	+0.8	
GBP	1.3050	+0.3	1.3020	1.3071	HKD	7.771	-0.0	Stoxx 50	4,986	+0.8	23.9	HRC steel	705.0	+0.0	
JPY	149.53	-0.5	149.37	150.15	CNY	7.102	-0.3	FTSE	8,358	-0.3	12.9	CRB	279.6	-0.8	
CAD	1.3803	+0.0			SGD	1.310	-0.3	DAX	19,657	+0.4	32.8	Wheat Chic.	592.5	-2.8	
NZD/AUD	0.9055	+0.1			IDR	15,481	-0.2	CAC 40	7,613	+0.4	11.7	Sugar	22.18	+0.1	
NZD/EUR	0.5587	-0.1			THB	33.12	-0.3	Nikkei	38,982	+0.2	24.7	Cotton	70.99	+0.3	
NZD/GBP	0.4653	-0.2			KRW	1,369	-0.2	Shanghai	3,262	+2.9	9.3	Coffee	257.3	+0.8	
NZD/JPY	90.79	-0.3			TWD	32.05	-0.3	ASX 200	8,283	-0.9	20.0	WM powder	3450	+0.3	
NZD/CAD	0.8381	+0.2			PHP	57.51	-0.6	NZX 50	12,824	+0.4	16.6	Australian Futures			
NZ TWI	70.26	-0.0						VIX Index	18.03	-5.7	-17.0	3 year bond	96.18	-0.04	
Interest Rates											10 year bond			95.71	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	3.75	3.62	USD	4.08	-0.01	15-May-26	3.83	-0.00	BKBM 1-mth	4.88	0.00		
AUD	4.35	4.39	3.92	4.35	AUD	4.31	0.06	15-Apr-27	3.78	0.02	BKBM 3-mth	4.59	0.00		
NZD	4.75	4.59	3.62	4.09	NZD	4.43	0.03	15-May-28	3.85	0.03	1 year	3.91	0.00		
EUR	3.50	3.20	2.30	2.36	GER	2.18	-0.03	20-Apr-29	3.96	0.04	2 year	3.62	0.03		
GBP	5.00	5.30	3.88	3.68	GBP	4.06	-0.03	15-May-30	4.08	0.04	3 year	3.59	0.04		
JPY	0.23	-0.03	0.50	0.97	JPY	0.98	0.01	15-May-31	4.20	0.04	5 year	3.73	0.04		
CAD	4.25	4.97	2.88	3.00	CAD	3.13	-0.03	15-May-32	4.30	0.03	7 year	3.90	0.04		
								14-Apr-33	4.38	0.03	10 year	4.09	0.05		
								15-May-34	4.43	0.03	15 year	4.32	0.05		
								15-May-35	4.53	0.03					
								15-May-36	4.61	0.03					
								15-May-37	4.68	0.03					
								15-May-41	4.86	0.03					
								15-May-51	4.97	0.03					
								15-May-54	5.00	0.03					

* These are indicative ranges from 5pm NZT;

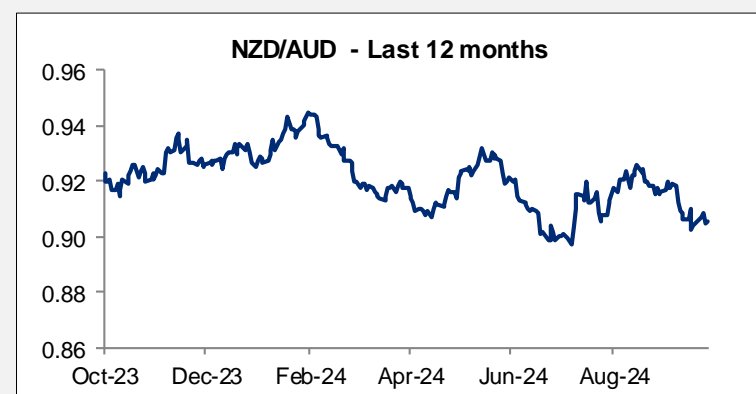
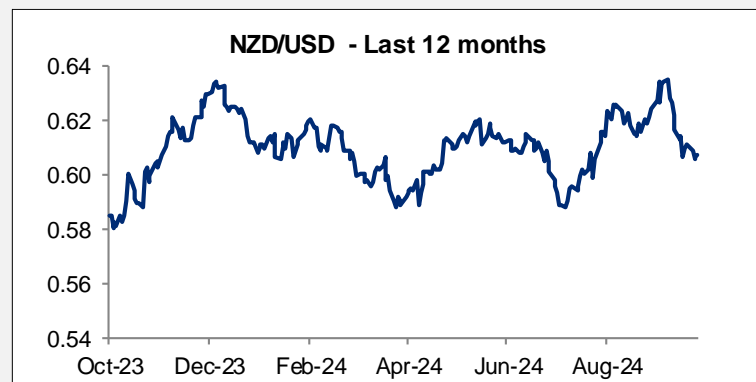
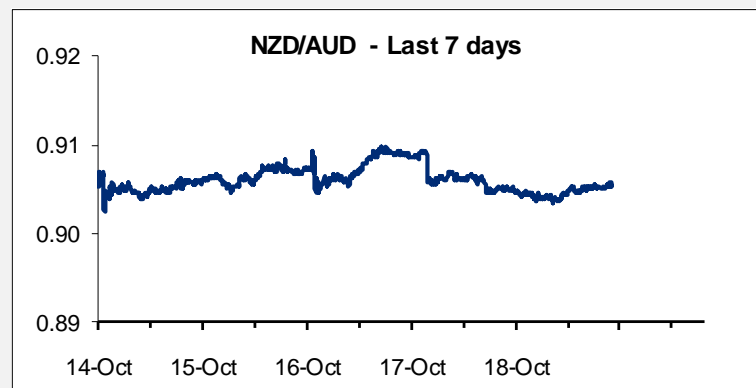
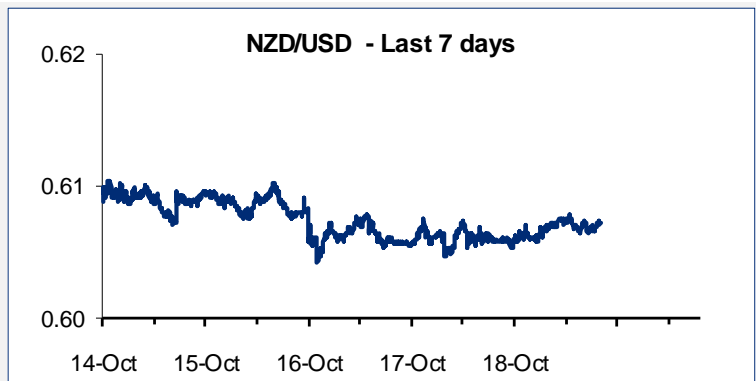
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Rates at NY close

Source: Bloomberg

NZD exchange rates

20/10/2024	NY close	Prev. NY close
USD	0.6072	0.6060
GBP	0.4653	0.4658
AUD	0.9055	0.9050
EUR	0.5587	0.5595
JPY	90.79	91.03
CAD	0.8381	0.8360
CHF	0.5250	0.5248
DKK	4.1671	4.1727
FJD	1.3551	1.3609
HKD	4.7175	4.7107
INR	51.04	50.95
NOK	6.6318	6.6147
PKR	168.59	168.72
PHP	34.92	35.04
PGK	2.3836	2.3700
SEK	6.3873	6.3878
SGD	0.7954	0.7965
CNY	4.3118	4.3165
THB	20.13	20.13
TOP	1.4050	1.4100
VUV	72.79	72.74
WST	1.6417	1.6355
XPF	66.55	66.58
ZAR	10.6893	10.7181



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.82	1.09
3 Months	5.28	5.96
6 Months	12.07	13.08
9 Months	19.03	21.29
1 Year	25.84	28.84

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.42	-1.82
3 Months	0.02	1.43
6 Months	10.58	13.33
9 Months	25.59	30.93
1 Year	41.98	49.77

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