

Research Markets Today

22 October 2024

Events Round-Up

CH: 5-Year loan prime rate, Oct: 3.60 vs. 3.65 exp.

CH: 1-Year loan prime rate, Oct: 3.10 vs 3.15 exp.

Good Morning

Global rates are broadly higher without a satisfactory explanation. US Treasury yields are up 7-9bps across the curve with some even larger moves in many European countries. Higher rates have driven weaker equity markets, with a modest fall in US equities in early afternoon trading. The USD is broadly stronger, with 0.6-0.7% falls for the NZD and AUD from last week's close, seeing the NZD down at 0.6030.

Bond yields showed a steady upward climb from the European market open. After scanning as much newsflow as possible, there are no obvious triggers. Possible causes are higher oil prices and the Trump trade in action as he rises in the polls, but neither satisfactorily explain the move and some trader re-positioning may simply be the leading cause.

European rates are higher across the board, with larger moves for the peripheral countries, suggesting a hint of weaker risk appetite. Government 10-year rates are up 13-15bps for Spain and Italy, 12bps for France, and 10bps for Germany. The UK 10-year rate is up 8bps. Yield curves have steepened, with slightly less of an upward surge in 2-year rates. The US 2-year Treasury rate is up 7bps to 4.02% while the 10-year rate is up 9bps to 4.17%, its highest level since the end of July and up to its 200-day moving average.

Oil prices are up 2-2½%, with Brent crude trading with a USD74 handle, with a narrative of increased Middle East tensions, but the move follows a nearly 8% fall last week. Higher oil prices don't satisfactorily explain the upward move in rates, with the US 10-year break-even inflation rate up only just over 1bp. Gold prices have extended their record-breaking run, climbing as high as USD2740 per troy ounce before meeting some resistance.

Higher rates and a broadly stronger USD are consistent with the "Trump trade", but bitcoin is down 2%, which negates that theory. The FT reports a Washington Post-Schar School survey of more than 5,000 registered voters found Trump and Harris in a virtual tie in Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania and

Wisconsin — the battlegrounds that will determine who wins. Meanwhile, three different betting markets show 2-5pt gains for the Trump-Harris spread on the day. On probabilities of who will win the race on those betting markets, Polymarket has the largest spread at 25pts (Trump 63%, Harris 37%), while PredictIt has the lowest spread of 10pts (Trump 56%, Harris 46%). It is not easy to arbitrage across these markets, hence the different implied probabilities.

The steady upward move in rates eventually ate into equity market returns, with a small gain in the S&P500 in early trading reversing, and the market is currently down 0.2%. The IT sector has outperformed, seeing the Nasdaq index slightly higher. The Euro Stoxx 600 index fell 0.7%.

The USD is broadly stronger from last week's close. USD/JPY is up 0.8% to 150.75, given the yen's sensitivity to Treasury yields. The NZD and AUD are down 0.6-0.7%. The NZD traded a fresh two-month low of 0.6029 and is currently slightly above that figure. The AUD is down to 0.6660. With the USD the key driver, NZD cross movements have been small, albeit to the downside across GBP, EUR and CAD.

Yesterday, Chinese banks cut 1-yr and 5-yr lending rates by 25bps to 3.1% and 3.6% respectively, slightly larger than the 20bps cuts expected, albeit within the recent guidance of the PBoC of 20-25bps. Further monetary policy easing has already been forewarned, as required to stimulate the economy, but with credit demand unresponsive to lower rates, the market is still holding out for fiscal measures to do the work.

In the domestic rates market, NZDM launched the May 2030 nominal bond tap, expecting to issue a minimum \$3b and capped at \$5b, with initial price guidance of 13-16bps over the April 2029 bonds. In an update last night, the firm order book was \$15.5b and price guidance was narrowed to 14-16bps. Generating demand for the issue, the 5-year sector of the government curve has recently underperformed, and the 2030 maturity has cheapened relative to neighbouring lines in anticipation of the new supply. NZ rates showed little movement yesterday, with NZGB yields marked 1bp higher out to 5-years, and little net change beyond that maturity. Swap rates were up 1-2bps.

In the day ahead, NZ trade data are released. There are a number of central bank speakers today on the circuit, including BoE Governor Bailey.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ Trade balance (ann \$b)	Sep		-9.3	10:45
UK BOE's Baileyspeaks				02:25

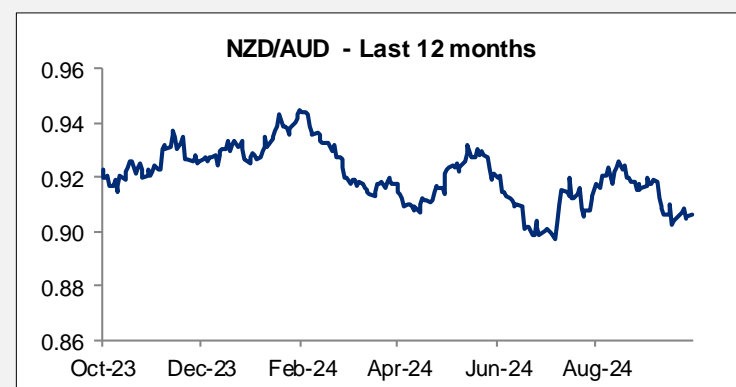
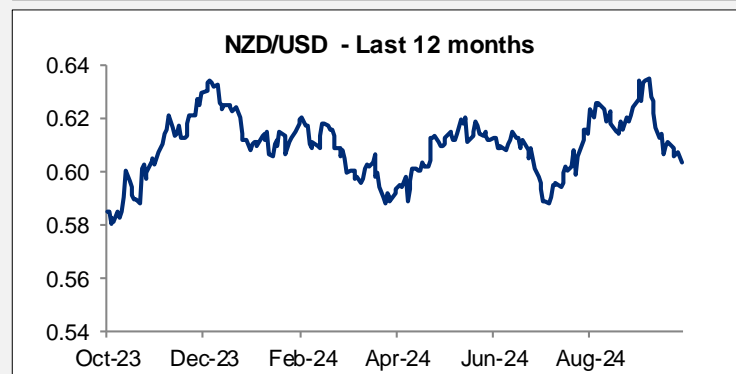
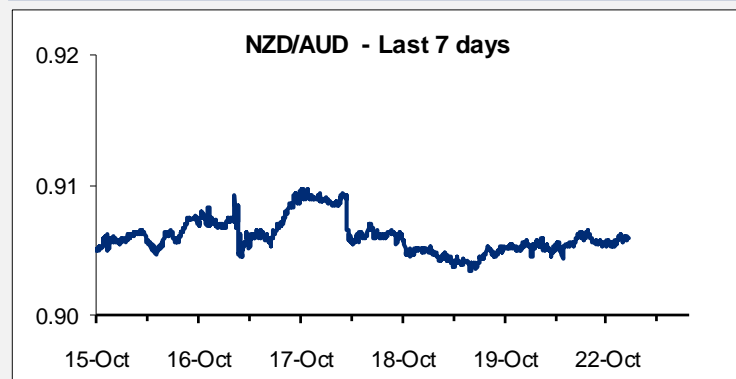
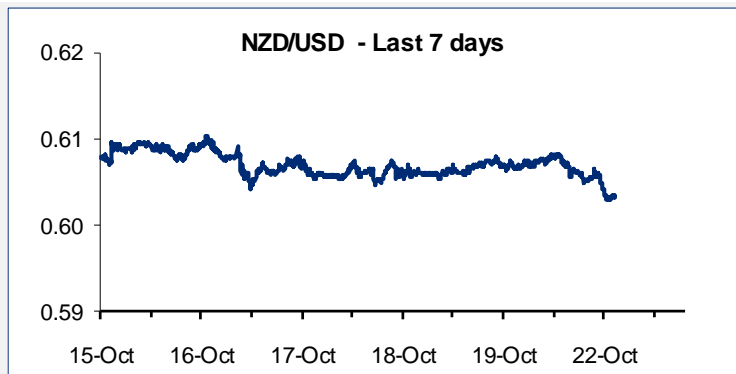
Source: Bloomberg, BNZ

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	0.6034	-0.6	0.6029	0.6071	CHF	0.8657	+0.1	S&P 500	5,849	-0.3	38.5	Oil (Brent)	74.47	+1.9
AUD	0.6660	-0.7	0.6655	0.6699	SEK	10.557	+0.3	Dow	42,947	-0.8	29.6	Oil (WTI)	70.94	+2.5
EUR	1.0817	-0.5	1.0816	1.0860	NOK	10.949	+0.2	Nasdaq	18,508	+0.1	42.5	Gold	2723.1	+0.3
GBP	1.2988	-0.5	1.2979	1.3041	HKD	7.774	+0.0	Stoxx 50	4,941	-0.9	22.8	HRC steel	705.0	+0.0
JPY	150.75	+0.8	149.30	150.79	CNY	7.121	+0.3	FTSE	8,318	-0.5	12.4	CRB	279.6	-0.8
CAD	1.3834	+0.3			SGD	1.316	+0.5	DAX	19,461	-1.0	31.5	Wheat Chic.	593.5	+0.2
NZD/AUD	0.9060	+0.1			IDR	15,504	+0.1	CAC 40	7,536	-1.0	10.6	Sugar	21.83	-1.6
NZD/EUR	0.5578	-0.2			THB	33.50	+1.2	Nikkei	38,955	-0.1	24.6	Cotton	72.20	+1.7
NZD/GBP	0.4646	-0.1			KRW	1,379	+0.7	Shanghai	3,268	+0.2	9.6	Coffee	251.7	-2.0
NZD/JPY	90.96	+0.2			TWD	31.97	-0.2	ASX 200	8,344	+0.7	20.9	WM powder	3465	+0.4
NZD/CAD	0.8347	-0.3			PHP	57.56	+0.1	NZX 50	12,923	+0.8	17.5	Australian Futures		
NZ TWI	70.09	-0.2						VIX Index	18.60	+3.2	-14.3	3 year bond	96.21	0.03
Interest Rates								NZ Government Bonds				NZ BKBM and Swap Yields		
Rates	Swap Yields				Benchmark 10 Yr Bonds			Last			Chg			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg		
USD	5.00	4.85	3.83	3.71	USD	4.17	0.09	15-May-26	3.84	0.01	BKBM 1-mth	4.88	0.00	
AUD	4.35	4.38	3.95	4.43	AUD	4.27	-0.03	15-Apr-27	3.79	0.01	BKBM 3-mth	4.59	0.00	
NZD	4.75	4.59	3.64	4.11	NZD	4.43	0.00	15-May-28	3.86	0.01	1 year	3.92	0.00	
EUR	3.50	3.20	2.34	2.44	GER	2.28	0.10	20-Apr-29	3.97	0.01	2 year	3.64	0.01	
GBP	5.00	5.30	3.92	3.76	GBP	4.14	0.08	15-May-30	4.09	0.01	3 year	3.61	0.02	
JPY	0.23	-0.03	0.50	0.98	JPY	0.96	-0.01	15-May-31	4.20	0.00	5 year	3.75	0.02	
CAD	4.25	4.97	2.93	3.10	CAD	3.22	0.10	15-May-32	4.30	0.00	7 year	3.92	0.02	
								14-Apr-33	4.38	0.00	10 year	4.11	0.02	
								15-May-34	4.43	0.00	15 year	4.34	0.03	
								15-May-35	4.53	0.00				
								15-May-36	4.61	0.00				
								15-May-37	4.68	0.00				
								15-May-41	4.87	0.00				
								15-May-51	4.98	0.00				
								15-May-54	5.01	0.00				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:57
 Source: Bloomberg

NZD exchange rates

22/10/2024 6:57 am		Prev. NY close
USD	0.6034	0.6071
GBP	0.4646	0.4651
AUD	0.9060	0.9053
EUR	0.5578	0.5587
JPY	90.96	90.78
CAD	0.8347	0.8377
CHF	0.5224	0.5250
DKK	4.1594	4.1671
FJD	1.3490	1.3551
HKD	4.6908	4.7175
INR	50.73	51.04
NOK	6.6064	6.6318
PKR	167.47	168.59
PHP	34.73	34.92
PGK	2.3681	2.3836
SEK	6.3700	6.3873
SGD	0.7943	0.7954
CNY	4.2968	4.3118
THB	20.17	20.13
TOP	1.4208	1.4050
VUV	72.45	72.79
WST	1.6304	1.6417
XPF	66.31	66.55
ZAR	10.6323	10.6893



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.95	1.11
3 Months	5.76	6.26
6 Months	13.22	14.22
9 Months	21.56	23.55
1 Year	28.86	31.85

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.54	-2.06
3 Months	0.44	1.60
6 Months	11.00	13.51
9 Months	27.33	32.50
1 Year	43.55	51.55

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