

Research Markets Today

23 October 2024

Events Round-Up

NZ: Trade balance (ann \$b), Sep: -2.1 vs. -2.3 prev.

Good Morning

Global asset markets are little changed in the absence of first-tier economic data or other catalysts. US equity markets are marginally lower in afternoon trade with investors focused on corporate earnings. If the S&P closes lower, it will be the first back-to-back decline in more than a month. European equities pared earlier declines but still edged lower at the close. Global bond yields moved higher, and the US dollar is modestly stronger against developed market currencies. Oil prices increased close to 2%, with Brent Crude trading above \$76 per barrel.

In the latest World Economic Outlook, the IMF lowered its global growth forecast for next year and highlighted risks from geopolitics and trade protectionism. It expects global output will expand 3.2%, down 0.1% from its July estimate.

There was little respite for global bond markets with yields moving higher in an extension of the large move from the previous day. Investor sentiment is being impacted by the upcoming US election, and the prospect of larger fiscal deficits, along with uncertainty about the path of interest rate cuts. Recent comments by Fed officials have largely talked in favour of a moderate pace of easing. Kansas City Fed President Jeff Schmid said yesterday that ‘a cautious and deliberate course of action seems appropriate.’

US treasuries are modestly higher in yield. 10-year notes are 1bp higher at 4.21% which is the highest level since July. 10-year yields have moved ~60bps higher since finding a base in mid-September. European bond yields also closed higher with 10-year bunds increasing 4bps to 2.32%.

In currency markets, the US dollar is little changed on the major crosses. The dollar index remains above 104, which highest level since early August, and has been supported by the paring of Fed rate cut expectations over the past month. NZD/USD has rebounded from a two-month low near 0.6020, reached in the local session yesterday, but price action was subdued overnight. The NZD was stable on the key cross rates.

NZ government bonds (NZGB) moved higher in yield in the local session yesterday, though notably outperformed on a cross-market basis, only partially matching the selloff in UST and government bonds in Australia. The 10-year NZGB-ACGB spread tightened below 10bp. The focus in the domestic market was the government bond syndication. 10-year NZGBs ended the session 5bp higher at 4.48%, the highest level since mid-July, and well above the 4.07% low from mid-September. Bonds also outperformed swaps with 10-year swap spreads closing at -31bp, up from the recent low near -40bp.

The tap syndication of the nominal May-2030 NZGB attracted strong demand from investors. New Zealand Debt Management issued NZ\$5 billion which was at the top end of the indicated volume range. Total book size, at final price guidance, exceeded NZ\$23.9 billion, the largest ever demand in an NZGB syndication. The deal priced at a spread of +15bp over April 2029 nominal bond compared with initial price guidance of +13 to +16bp.

Australian 10-year government bond futures are unchanged since the local close yesterday which suggests a limited directional bias for NZ yields on the open.

There is no domestic regional data of note today. RBNZ Governor Orr is speaking tomorrow morning (06:00 NZT) on ‘Monetary policy during periods of economic volatility’ to the Peterson Institute, in Washington DC. We don’t expect there will be any new material or near-term policy guidance in the speech.

The Bank of Canada meeting is expected to see the pace of easing pick up, with a 50bps cut in the policy rate to 3.75%, after three consecutive 25bps cuts. Headline inflation declined to a 1.6% annual rate in September, falling below the central bank’s target for the first time since early 2021. Core inflation has also been easing.

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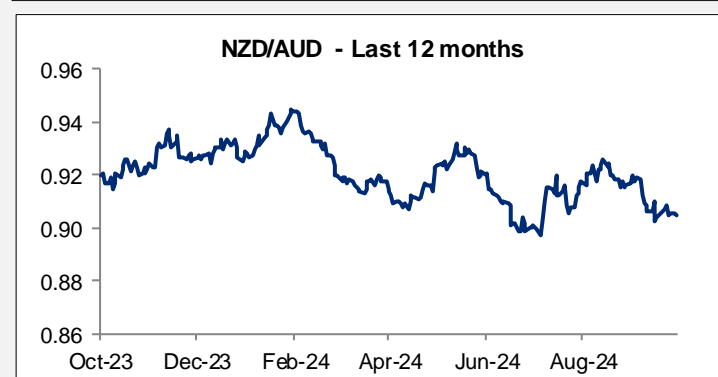
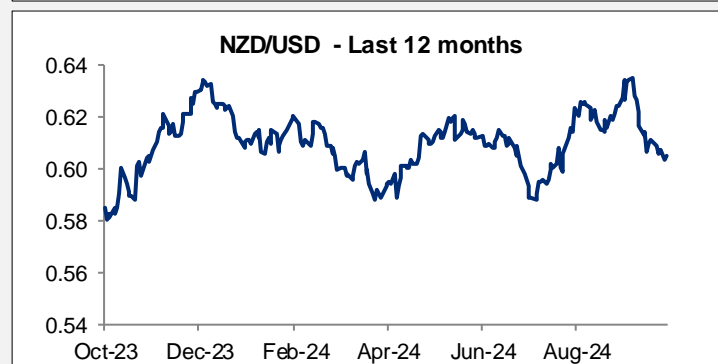
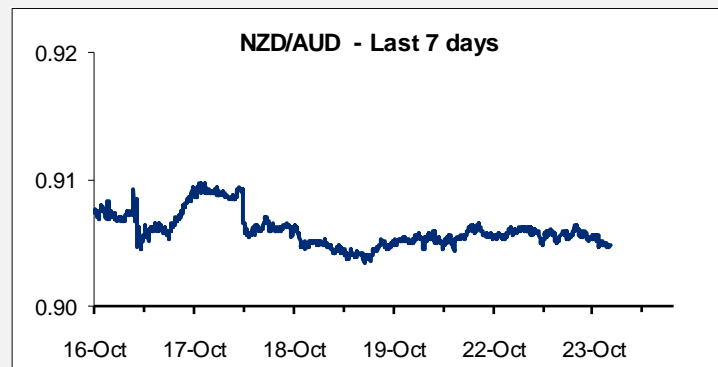
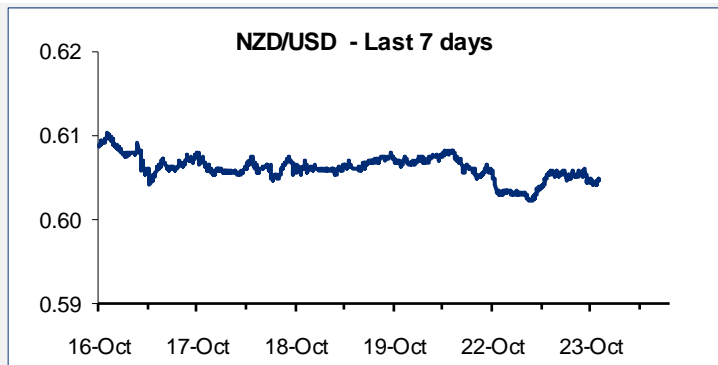
Coming Up

		Period	Cons.	Prev.	NZT
CA	Bank of Canada Rate	Oct	3.75	4.25	02:45
EC	Consumer Confidence	Oct P	-12.5	-12.9	03:00
EC	ECB’s Lagarde Speaks in Washington				03:00
US	Existing Home Sales	Sep	3.89	3.86	03:00
NZ	RBNZ Governor Speaks on Monetary Policy				06:00

Source: Bloomberg, BNZ

NZD exchange rates

23/10/2024 6:18 am		Prev. NY close
USD	0.6047	0.6031
GBP	0.4660	0.4645
AUD	0.9048	0.9057
EUR	0.5597	0.5577
JPY	91.37	90.97
CAD	0.8362	0.8341
CHF	0.5234	0.5224
DKK	4.1741	4.1583
FJD	1.3528	1.3565
HKD	4.6998	4.6880
INR	50.84	50.70
NOK	6.5992	6.6064
PKR	167.89	167.48
PHP	34.99	34.72
PGK	2.3826	2.3679
SEK	6.3755	6.3722
SGD	0.7958	0.7939
CNY	4.3078	4.2946
THB	20.26	20.16
TOP	1.4125	1.4201
VUV	72.81	72.41
WST	1.6415	1.6297
XPF	66.61	66.28
ZAR	10.6051	10.6222



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.81	1.05
3 Months	5.57	6.07
6 Months	13.13	14.13
9 Months	21.64	23.66
1 Year	29.18	32.18

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.44	-1.93
3 Months	0.29	1.56
6 Months	11.55	14.04
9 Months	28.79	33.84
1 Year	46.45	54.09

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