

Research Markets Today

24 October 2024

Events Round-Up

CA: Bank of Canada Rate, Oct: 3.75 vs. 3.75 exp.
EC: Consumer Confidence, Oct P: -12.5 vs. -12.5 exp.
US: Existing Home Sales (mn.), Sep: 3.84 vs. 3.89 exp.

Good Morning

The recent softer tone for global equities continued overnight, with the S&P down 0.9% in afternoon trade, and setting up for the third consecutive day of declines. The lacklustre performance of equities comes as investors have pared back bets on rapid policy easing, though the S&P is only ~1.5% below its all-time high, reached earlier in the month. European equity indices also closed lower. Global bond markets were mixed while the US dollar extended its recent gains. Spot gold prices pulled back from a record high, set in the Asian session, just below US\$2760.

There was only second-tier US economic data. Sales of existing homes declined to the lowest level in 14 years with elevated mortgage rates and the uncertainty around the election impacting demand. Market activity is likely to remain subdued. The average interest rate on existing mortgages is 4%, compared with 6.5% for new mortgage, creating an incentive to homeowners not to move.

US treasuries traded modestly higher in yield led by the front end. There has been no retracement despite the large move higher in yields over the past few weeks with investor sentiment impacted by the upcoming election. 2-year yields are up 4bp to 4.07%, while 10-year yields lagged the move, and are up 2bp at 4.22%. The US\$13 20-year auction tailed by more than 1bp which didn't help market sentiment. German 10-year bunds closed 1bp lower at 2.30% while 40-year Japanese government bonds reached 2.54% yesterday, the highest level in 16 years.

The Bank of Canada lowered its target for the overnight rate by 50bp to 3.75% which was in line with expectations. That followed three consecutive 25bp reductions from a peak rate of 5.0%. The larger cut was aimed at boosting economic growth with inflation and inflation expectations back towards target. The Bank expects to cut rates further if the economy evolves in line with their expectations. The market is pricing a terminal rate near 2.75% in July next year. The rate adjustment was well-anticipated and had limited lasting impact on the Canadian dollar.

The US dollar extended higher overnight. The move began at the beginning of the month when the market pared Fed easing expectations, and the increased uncertainty ahead of the US election, is also providing support. The US dollar index advanced 0.4% and is at the highest level since July. In the major pairings, USD/JPY traded above 153 before retracing while EUR/USD slipped further below 1.08.

The Australasian currencies moved lower set against the backdrop of a stronger US dollar. NZD/USD traded below the 0.6000 to the lowest level since mid-August. The NZD is weaker on the major European cross rates, but little changed against the AUD and JPY.

NZ fixed income yields traded marginally higher in the local session yesterday with no domestic economic data to provide direction. 2-year swap rates ended unchanged at 3.67% while 10-year rates increased 2bp to 4.22%. The 2y/10y swap curve has steepened further, and reached fresh cycle highs of 55bp, with the move looking increasingly stretched in the short term. 10-year NZGB yields closed 2bp higher at 4.51%.

Australian 10-year government bond futures are little changed since the local close yesterday suggesting limited directional bias for NZ yields on the open. The weekly government bond tender has been cancelled today as is typical in a syndication week.

It is another quiet day on the economic calendar with no domestic or regional data. The focus will centre on advance PMIs for Europe and the US later this evening. The European Central Bank noted recent downside surprises to economic activity in the statement accompanying the decision to cut rates last week. Consensus expectations are for European PMIs to be little changed from September.

US initial jobless claims are likely to remain noisy reflecting the recent hurricanes and strike at Boeing. The consensus looks for claims to remain stable though some analysts expect a sharp rise which can be looked through. The PMI data is not likely impacted by the recent weather events and the consensus estimate for the composite PMI is unchanged relative to September.

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Coming Up

	Period	Cons.	Prev.	NZT
GE Manufacturing PMI	Oct P	40.8	40.6	20:30
GE Services PMI	Oct P	50.6	50.6	20:30
EC Manufacturing PMI	Oct P	45.1	45	21:00
EC Services PMI	Oct P	51.5	51.4	21:00
UK Manufacturing PMI	Oct P	51.5	51.5	21:30
UK Services PMI	Oct P	52.4	52.4	21:30
US Initial Jobless Claims	Oct 19	242	241	01:30
US Manufacturing PMI	Oct P	47.5	47.3	02:45
US Services PMI	Oct P	55	55.2	02:45
US New Home Sales	Sep	720	716	03:00

Source: Bloomberg, BNZ

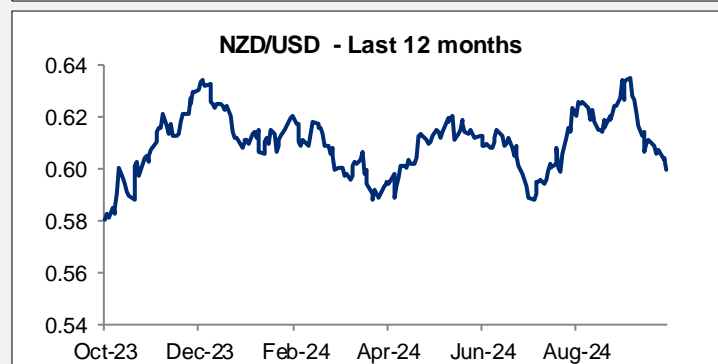
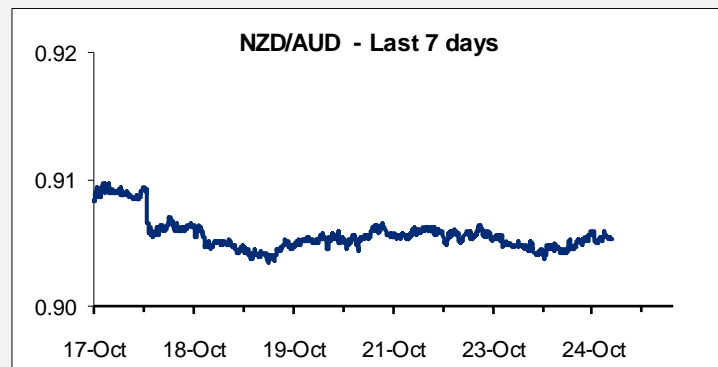
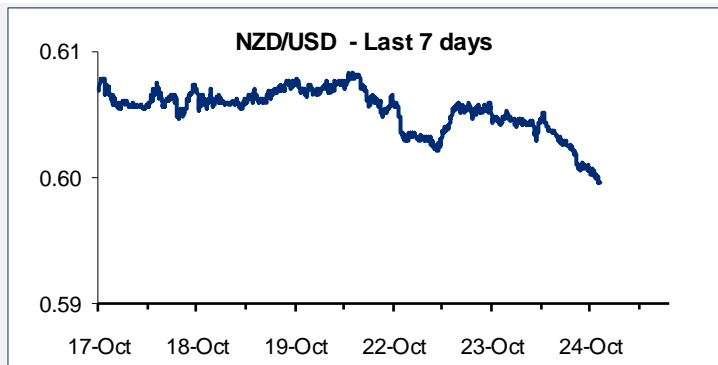
Currencies							Equities				Commodities										
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)										
	Last	% Day	Low	High		Last	% Day	% Year			Last	Net Day									
NZD	0.5996	-0.8	0.5996	0.6038	CHF	0.8674	+0.2	S&P 500	5,793	-1.1	37.4	Oil (Brent)	74.82	-1.7							
AUD	0.6623	-0.9	0.6622	0.6677	SEK	10.616	+0.7	Dow	42,461	-1.1	28.9	Oil (WTI)	70.59	-1.7							
EUR	1.0771	-0.3	1.0761	1.0806	NOK	11.022	+0.9	Nasdaq	18,231	-1.8	40.0	Gold	2717.8	-1.0							
GBP	1.2918	-0.5	1.2917	1.2995	HKD	7.771	-0.0	Stoxx 50	4,923	-0.3	21.8	HRC steel	704.0	+0.0							
JPY	152.86	+1.2	152.12	153.19	CNY	7.128	+0.1	FTSE	8,259	-0.6	12.0	CRB	284.2	+1.1							
CAD	1.3840	+0.2			SGD	1.324	+0.5	DAX	19,378	-0.2	30.9	Wheat Chic.	599.8	+0.7							
NZD/AUD	0.9053	+0.1			IDR	15,627	+0.4	CAC 40	7,497	-0.5	9.4	Sugar	22.34	+2.9							
NZD/EUR	0.5567	-0.5			THB	33.83	+1.0	Nikkei	38,105	-0.8	22.7	Cotton	72.58	+0.7							
NZD/GBP	0.4642	-0.3			KRW	1,382	+0.2	Shanghai	3,303	+0.5	11.5	Coffee	251.6	+0.7							
NZD/JPY	91.65	+0.4			TWD	32.09	+0.1	ASX 200	8,216	+0.1	19.8	WM powder	3480	+0.9							
NZD/CAD	0.8298	-0.6			PHP	57.95	+0.1	NZX 50	12,788	-0.2	16.7	Australian Futures									
NZ TWI	69.93	-0.4						VIX Index	19.41	+6.6	-4.7	3 year bond	96.06	-0.03							
Interest Rates											10 year bond 95.54 -0.05										
	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	3.89	3.76	USD	4.23	0.03	15-May-26	3.82	-0.01	BKBM 1-mth	4.88	0.00								
AUD	4.35	4.40	4.01	4.51	AUD	4.47	0.03	15-Apr-27	3.82	0.00	BKBM 3-mth	4.56	-0.01								
NZD	4.75	4.56	3.67	4.22	NZD	4.51	0.03	15-May-28	3.90	0.01	1 year	3.91	0.00								
EUR	3.25	3.10	2.31	2.45	GER	2.30	-0.01	20-Apr-29	4.02	0.01	2 year	3.67	0.00								
GBP	5.00	5.30	3.96	3.82	GBP	4.20	0.03	15-May-30	4.14	0.02	3 year	3.65	0.01								
JPY	0.23	-0.03	0.51	0.97	JPY	0.98	0.00	15-May-31	4.27	0.01	5 year	3.81	0.01								
CAD	3.75	4.97	2.92	3.11	CAD	3.24	0.01	15-May-32	4.37	0.02	7 year	4.00	0.02								
							NZ Inflation-Indexed Bonds			14-Apr-33			10 year			4.22			0.02		
							Sep-30			15-May-34			15 year			4.45			0.02		
							2.40			15-May-35											
							-0.00			15-May-36											
							Sep-35			15-May-37											
							2.72			15-May-41											
							-0.00			15-May-51											
							Sep-40			15-May-54											
							2.97			5.02											
							-0.00			5.04											

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:27

Source: Bloomberg

NZD exchange rates

24/10/2024 6:27 am		Prev. NY close
USD	0.5996	0.6043
GBP	0.4642	0.4654
AUD	0.9053	0.9044
EUR	0.5567	0.5596
JPY	91.65	91.30
CAD	0.8298	0.8350
CHF	0.5201	0.5230
DKK	4.1526	4.1727
FJD	1.3489	1.3592
HKD	4.6592	4.6966
INR	50.42	50.81
NOK	6.6088	6.5979
PKR	166.48	167.81
PHP	34.69	34.79
PGK	2.3616	2.3810
SEK	6.3655	6.3716
SGD	0.7936	0.7954
CNY	4.2748	4.3050
THB	20.09	20.20
TOP	1.3848	1.4152
VUV	72.15	72.76
WST	1.6288	1.6448
XPF	65.92	66.60
ZAR	10.6818	10.6043



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.83	1.02
3 Months	5.79	6.20
6 Months	13.68	14.70
9 Months	22.38	24.37
1 Year	30.66	33.66

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.22	-1.78
3 Months	0.54	1.65
6 Months	12.61	15.08
9 Months	29.65	34.22
1 Year	47.62	55.11

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