

Research Markets Today

25 November 2024

Events Round-Up

JN: CPI (y/y%), Oct: 2.3 vs. 2.3 exp.
 JN: CPI ex fr. food, energy (y/y%), Oct: 2.3 vs. 2.2 exp.
 UK: Retail sales x auto fuel (m/m%), Oct: -0.9 vs. -0.4 exp.
 GE: Manufacturing PMI, Nov: 43.2 vs. 43.0 exp.
 GE: Services PMI, Nov: 49.4 vs. 51.7 exp.
 EC: Manufacturing PMI, Nov: 45.2 vs. 46.0 exp.
 EC: Services PMI, Nov: 49.2 vs. 51.6 exp.
 UK: Manufacturing PMI, Nov: 48.6 vs. 50.0 exp.
 UK: Services PMI, Nov: 50.0 vs. 52.0 exp.
 CA: Retail sales ex auto (m/m%), Sep: 0.9 vs. 0.4 exp.
 US: Manufacturing PMI, Nov: 48.8 vs. 48.9 exp.
 US: Services PMI, Nov: 57.0 vs. 55.0 exp.
 US: U. of Mich. consumer. sent., Nov: 71.8 vs. 73.9 exp.
 US: U. of Mich. 5-10y inflation exp., Nov: 3.2 vs. 3.1 exp.

Good Morning

Surprising falls in UK and Euro area PMIs against surprising strength in the US PMI drove down European yields and currencies on Friday while supporting the USD. The euro was down over 1½% to a fresh two-year low before recovering. The NZD was caught in the cross-fire and traded at a fresh low for the year before ending the week around 0.5835. US Treasuries remained in a consolidation mode while equity markets were stronger.

The main price action on Friday came after PMI data showed a marked difference in economic activity between Europe and the US. For the Euro area and UK, services PMIs fell to 49.2 and 50.0 respectively down 2.4pts for the former and 2pts for the latter. Within the Euro area, it was falls for Germany and France that drove the result, with the rest of the region faring better. For the US, the services PMI rose 2pts to a 2½ year high of 57.0. The divergent result played to the narrative of economic exceptionalism in the US.

Manufacturing PMIs were also weaker for the Euro area and UK, while a touch higher for the US. Composite PMIs for the Euro area and UK back below 50 suggested some chance of their economies contracting into year-end. UK retail sales added to the downbeat economic tone, with sales declining more than expected. Some reasons given

were consumers holding back on spending ahead of the Budget, while a poor month for clothing sales was attributed to the weather.

The data triggered a sharp fall in the euro, breaking below key support levels which exaggerated the move. EUR plunged 1½% to a two-year low of 1.0335 before regaining some poise, closing the week just below 1.0420. Traders were already bearish the euro on the Trump trade, with the region seen to be one of the worst affected by Trump's proposed tariffs. DTCC data show increasing options bets for the euro to hit parity next year. GBP also showed a sharp fall, trading below 1.25 for the first time since May, before closing the week at 1.2530.

European rates were also lower. The decision for the ECB at its December meeting now looks more finely balanced between a 25 or 50bps cut, with 37bps priced at the close. The market still sees only a small chance of the BoE cutting rates in December, with just 4bps priced. Across the region, 10-year rates finished the day down 6-8bps.

By contrast, US Treasury yields were largely unperturbed by the data. There was some minor spillover of lower European rates into the Treasury's curve, but that was ultimately washed out. The 2-year rate closed the day up 2bps to 4.37% while the 10-year rate fell 2bps to 4.40%, capping off a week of consolidation, where the yield largely tracked sideways.

US equities finished the week on a strong note, with the S&P500 up 0.3%, but the broader market stronger, with the equally weighted version of the index up 0.8% and closing at a fresh record high. Highlighting the broader market gains and the stock market's embracing of the Trump trade, the small cap Russell 2000 index rose 1.8% for a weekly gain of 4½%. Despite the weaker PMI data, the Euro Stoxx 600 index rose 1.2%, supported by the backdrop of lower bond yields.

The USD was broadly stronger, with the DXY index up 0.5% and capping off an eighth consecutive weekly increase. The NZD traded at a fresh low for the year of 0.5817 before closing the week around 0.5835. NZD/EUR traded a wide range and closed the week around 0.56. The AUD closed the week at 0.65. There were signs of NZD/AUD cross selling ahead of the RBNZ MPS this week, as it traded down to a two-year low below 0.8945 before closing the week at 0.8975, its first foray sub 0.90 since July.

In other economic news, the University of Michigan US consumer sentiment index was revised slightly lower for November to 71.8 after capturing responses post the election, with a sharp fall in sentiment of Democrats outweighing a sharp fall in sentiment of Republicans. Long-term (5-10yr) inflation expectations rose one-tenth to 3.2%, their highest level in a year.

Japan CPI data showed a small upside surprise for the core measures, both running at 2.3% y/y, which will add to the debate about whether the BoJ will hike again next month or defer until early next year.

After the market close, Trump nominated hedge fund chief Scott Bessent for the role of Treasury Secretary. Market participants surveyed by Bloomberg were largely complimentary regarding his appointment. Bessent has deep knowledge of financial markets, which is a plus, and in a recent opinion piece in the WSJ he talked about addressing the debt burden “from four years of reckless spending” and “restoring investors’ faith in the economy and preserving the dollar’s global role”.

The domestic rates market closed the week with downward pressure on rates. Swap rates fell 4-5bps across the curve, capping off a week which saw the 2-year rate down 18bps to 3.73%, unwinding a lot of the rate increase seen earlier in the month, as the market positions itself for a dovish RBNZ update this week. The 10-year swap rate

fell 11bps for the week, resulting in the curve steepening NZGB yields fell 4-7bps on the day and with weekly declines that largely echoed the swap market.

On the calendar today, NZ real retail sales data for Q3 will be released where another contraction is expected (making it 10 out of the past 11 quarters), as well as trade data. Tonight sees the release of Germany’s IFO business survey.

Key data releases in the week ahead include monthly Australian CPI, euro area CPI and US PCE deflators. Domestically, the focus will be on the RBNZ’s Monetary Policy Statement on Wednesday, where a 50bps cut is well anticipated, followed by the ANZ business outlook survey the following day.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ Real retail sales (q/q%)	Q3	-0.5	-1.2	10:45
NZ Trade balance (ann \$b)	Oct		-9.1	10:45
GE IFO expectations	Nov	87.0	87.3	22:00

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	0.5835	-0.4	0.5817	0.5855	CHF	0.8939	+0.8	S&P 500	5,969	+0.3	30.9	Oil (Brent)	75.17	+1.3
AUD	0.6502	-0.2	0.6472	0.6519	SEK	11.037	-0.2	Dow	44,297	+1.0	25.2	Oil (WTI)	71.24	+1.6
EUR	1.0419	-0.5	1.0335	1.0498	NOK	11.069	+0.0	Nasdaq	19,004	+0.2	33.4	Gold	2712.2	+1.4
GBP	1.2532	-0.5	1.2487	1.2582	HKD	7.784	+0.0	Stoxx 50	4,789	+0.7	9.5	HRC steel	680.0	+0.0
JPY	154.79	+0.2	154.19	155.02	CNY	7.244	+0.1	FTSE	8,262	+1.4	10.3	CRB	289.9	+0.6
CAD	1.3981	+0.0			SGD	1.347	+0.0	DAX	19,323	+0.9	20.5	Wheat Chic.	564.8	-0.8
NZD/AUD	0.8975	-0.3			IDR	15,875	-0.3	CAC 40	7,255	+0.6	-0.5	Sugar	21.36	-0.1
NZD/EUR	0.5600	-0.0			THB	34.50	-0.6	Nikkei	38,284	+0.7	13.9	Cotton	71.65	+3.6
NZD/GBP	0.4656	+0.0			KRW	1,406	+0.3	Shanghai	3,267	-3.1	7.4	Coffee	302.1	+2.2
NZD/JPY	90.32	-0.3			TWD	32.55	-0.0	ASX 200	8,394	+0.9	19.2	WM powder	3900	+0.1
NZD/CAD	0.8158	-0.4			PHP	58.90	-0.2	NZX 50	13,042	+2.2	16.3	Australian Futures		
NZ TWI	69.10	-0.3						VIX Index	15.24	-9.7	+22.3	3 year bond	95.92	0.03
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields				
Rates		Swap Yields			Benchmark 10 Yr Bonds		Last		Chg	Last		Chg		
	Cash	3Mth	2 Yr	10 Yr	USD	Last	Net Day							
USD	4.75	4.85	4.16	3.90	USD	4.40	-0.02	15-Apr-27	3.89	-0.07	BKBM 1-mth	4.45	-0.01	
AUD	4.35	4.42	4.08	4.53	AUD	4.54	-0.03	15-May-28	3.99	-0.07	BKBM 3-mth	4.38	-0.01	
NZD	4.75	4.38	3.73	4.23	NZD	4.59	-0.04	20-Apr-29	4.09	-0.07	1 year	3.87	-0.05	
EUR	3.25	3.01	2.17	2.27	GER	2.24	-0.08	15-May-30	4.22	-0.06	2 year	3.73	-0.05	
GBP	4.75	5.30	4.18	3.92	GBP	4.39	-0.06	15-May-31	4.36	-0.05	3 year	3.73	-0.05	
JPY	0.23	-0.03	0.64	1.06	JPY	1.09	-0.01	15-May-32	4.47	-0.05	5 year	3.87	-0.05	
CAD	3.75	4.97	3.18	3.22	CAD	3.42	-0.03	14-Apr-33	4.53	-0.04	7 year	4.04	-0.05	
						NZ Inflation-Indexed Bonds		15-May-34	4.59	-0.04	10 year	4.23	-0.04	
						Sep-30	2.41	-0.05	15-May-35	4.67	-0.03	15 year	4.44	-0.05
						Sep-35	2.74	-0.05	15-May-36	4.76	-0.04			
						Sep-40	2.99	-0.05	15-May-37	4.83	-0.04			
									15-May-41	5.02	-0.04			
									15-May-51	5.15	-0.04			
									15-May-54	5.17	-0.04			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates at NY close
 Source: Bloomberg

NZD exchange rates

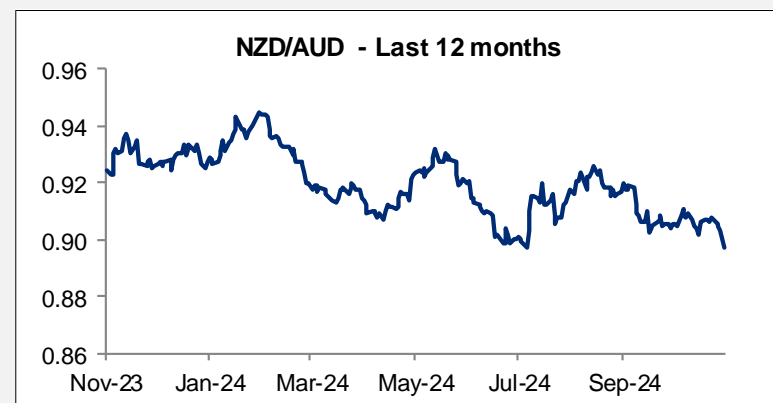
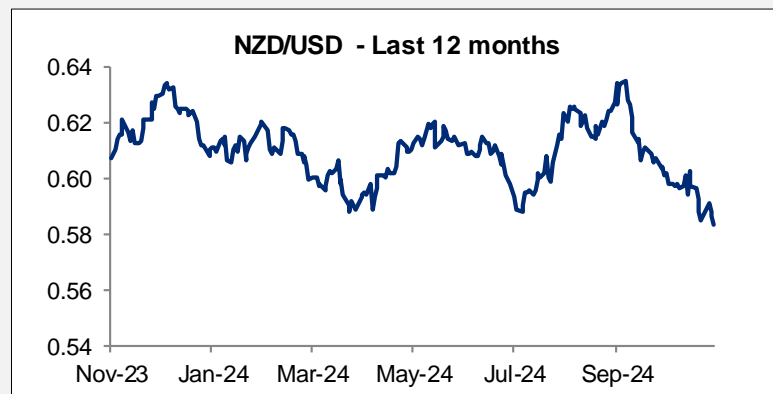
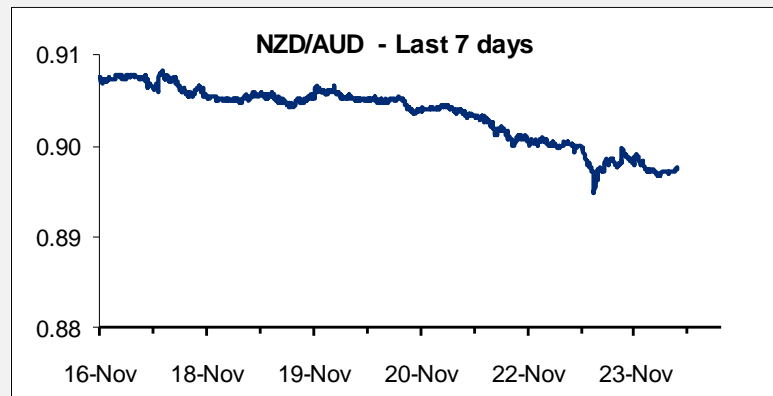
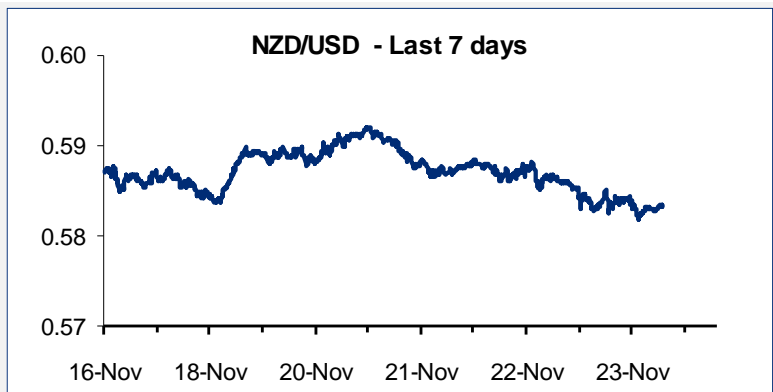
23/11/2024	NY close	Prev. NY close
USD	0.5835	0.5860
GBP	0.4656	0.4655
AUD	0.8975	0.9000
EUR	0.5600	0.5595
JPY	90.32	90.56
CAD	0.8158	0.8189
CHF	0.5214	0.5196
DKK	4.1757	4.1727
FJD	1.3278	1.3425
HKD	4.5405	4.5607
INR	49.26	49.52
NOK	6.4564	6.4863
PKR	162.07	162.69
PHP	34.37	34.57
PGK	2.3147	2.3245
SEK	6.4379	6.4824
SGD	0.7855	0.7890
CNY	4.2278	4.2439
THB	20.17	20.30
TOP	1.3709	1.3804
VUV	71.37	71.52
WST	1.6003	1.6077
XPF	66.73	66.47
ZAR	10.5647	10.6096

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.24	2.57
3 Months	6.70	7.75
6 Months	17.85	18.85
9 Months	29.71	31.79
1 Year	40.56	43.53

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.81	1.59
3 Months	4.46	6.72
6 Months	19.74	22.38
9 Months	37.15	41.80
1 Year	52.57	59.66



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