

Research Markets Today

25 October 2024

Events Round-Up

GE: Manufacturing PMI, Oct: 42.6 vs. 40.8 exp.
 GE: Services PMI, Oct: 51.4 vs. 50.6 exp.
 EA: Manufacturing PMI, Oct: 45.9 vs. 45.1 exp.
 EA: Services PMI, Oct: 51.2 vs. 51.5 exp.
 UK: Manufacturing PMI, Oct: 50.3 vs. 51.5 exp.
 UK: Services PMI, Oct: 51.8 vs. 52.4 exp.
 US: Initial jobless claims, wk to Oct 19: 227 vs. 242 exp.
 US: Manufacturing PMI, Oct: 47.8 vs. 47.5 exp.
 US: Services PMI, Oct: 55.3 vs. 55.0 exp.
 US: New home sales (k), Sep: 738 vs. 720 exp.

Good Morning

Market movements have been modest, with US equities currently showing a small gain, while global rates are lower after their recent steady rise. Global PMI data were mostly in line with expectations, with small changes in October. Political polls continue to show rising support for Trump. The NZD shows little net movement overnight, back to 0.6020, after a minor rally to just over 0.6030.

Global PMI data released overnight didn't really move the needle with only small changes in the activity measures for October. The euro area PMI composite was little changed at 49.7 and in line with expectations. Better than expected German manufacturing PMI, which showed a lift off a rock-bottom level to 42.6, outweighed further weakness in France's services PMI, falling further to 48.3. While the data are consistent with sluggish growth continuing, there was nothing in the release to suggest that the ECB should upscale the pace of easing to 50bps. That said, the market prices a 36bps cut for the December meeting, suggesting a roughly even chance of a 25bps or 50bps move.

ECB GC member Makhoul said "the data has to be very powerful for me to feel that I need a leap", adding that policy should remain prudent and cautious. Other ECB GC members certainly didn't convey a message that the pace of easing needs to step up. Nagel said we shouldn't be too hasty with rate cuts, while Kazaks said markets shouldn't run ahead of themselves.

The UK PMIs were on the softer side, with the composite index falling for a second successive month to 51.7,

consistent with fading growth after the solid performance in the first half of the year. BoE MPC member Mann, who has hawkish credentials, noted there has been good news on prices but services inflation still has "a long way to go".

The US PMIs were marginally ahead of consensus, with the composite index of 54.3 relatively steady since May, consistent with a steady pace of growth, with the details showing the employment index little changed at 49.6 and some easing in both the input and output price indices. Initial jobless claims unexpectedly fell 15k last week to 227k, with less impact than expected from Hurricane Milton. Recent data remain distorted by that hurricane as well as Hurricane Helene and the impact on the Boeing strike, so it's hard to read the signal, but there's nothing to suggest worrisome weakness in the labour market.

US political polls continue to show positive momentum for Trump. The RealClearPolitics average of a large series of polls has seen the gap close to near zero, Harris just 0.2% in front, but the trend through October has been a clear swing towards Trump and this "average" poll series will likely soon show Trump in the lead. The latest WSJ poll shows Trump leading Harris by 2 points, with the narrative being voters adopting a more positive view of his agenda and past performance and a more negative view of Harris.

Market movements overnight have been modest overall. US equities have spent most of the session in positive territory, with the S&P500 index up 0.2% in early afternoon trading, led by a 20% gain in Tesla after its positive earnings announcement after the bell yesterday. The Euro Stoxx index rose by less than 0.1%.

After the sell-off through this week, global rates markets have reversed course. US Treasury yields are down 4-6bps, seeing the 10-year rate at 4.19%, after peaking over 4.25% yesterday. European 10-year rates are down around 4bps, but the UK has bucked the trend, with a 4bps lift. This followed a report in the Guardian that Chancellor Reeves will give herself about £50b of extra borrowing headroom in next week's Budget while the FT reported she plans to change the fiscal rules to allow more borrowing for investment.

Lower global rates have supported the yen while higher UK rates against the trend has supported GBP overnight. USD/JPY is down 0.8% for the day to 151.60, while GBP is up 0.4% to 1.2975. The NZD recovered from its brief excursion below 0.60 this time yesterday to a high above

0.6030 overnight and it currently sits around 0.6020. There has only been small net movements on the crosses, with NZD/JPY the largest mover, falling to 91.2.

In the domestic rates market, there was further cross market outperformance, with NZGB yields down 1-3bps across the curve against the backdrop of heavy offshore markets. The 2-year swap rate was unchanged at 3.67% while the 10year rate fell 2bps to 4.20%.

RBNZ Governor Orr’s speech yesterday morning didn’t reveal anything particular new for keen followers of the central bank. But in the Q&A, after noting the aggressive rate hikes on the way up “on the way down we can be more incremental, and we have been”, and he referred to “calmer waters”. This certainly didn’t convey a message that the Bank would step up the pace of easing to 75bps in November and the OIS market pared back some the of aggressive easing priced into the curve. Still, the market fully prices a 50bps cut in November and a modest chance of a 75bps cut.

The economic calendar in the day ahead is full, albeit all second-tier data. NZ consumer confidence is released this morning. Offshore, Tokyo CPI, Germany’s IFO survey, Canadian retail sales, and US durable goods and consumer sentiment data will be released.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ ANZ consumer confidence	Oct	95.1	10:00	
UK GfK consumer confidence	Oct	-20	-20	12:01
JN Tokyo CPI (y/y%)	Oct	1.8	2.2	12:30
JN Tokyo CPI ex-fresh fd, energy (y/y%)	Oct	1.6	1.6	12:30
GE IFO expectations	Oct	86.9	86.3	21:00
CA Retail sales ex auto (m/m%)	Aug	0.4	0.4	01:30
US Durable goods orders (m/m%)	Sep	-1.0	0.0	01:30
US Durables ex transport. (m/m%)	Sep	-0.1	0.5	01:30
US U. of Mich. consumer sent.	Oct	69.1	68.9	03:00
US U. of Mich. 5-10 Yr inflation exp.	Oct	3.0	3.0	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	Last	% Day	% Year	Last	Net Day			
NZD	0.6019	+0.2	0.6002	0.6032	CHF	0.8653	-0.1	S&P 500	5,808	+0.2	36.7	Oil (Brent)	74.33	-0.9
AUD	0.6643	+0.1	0.6621	0.6661	SEK	10.560	-0.3	Dow	42,390	-0.3	27.9	Oil (WTI)	70.09	-1.0
EUR	1.0823	+0.4	1.0771	1.0824	NOK	10.938	-0.5	Nasdaq	18,399	+0.7	40.0	Gold	2729.0	+0.5
GBP	1.2977	+0.4	1.2927	1.2988	HKD	7.771	+0.0	Stoxx 50	4,935	+0.3	21.4	HRC steel	704.0	+0.0
JPY	151.58	-0.8	151.56	152.38	CNY	7.120	-0.2	FTSE	8,269	+0.1	11.9	CRB	283.4	-0.3
CAD	1.3847	+0.1			SGD	1.318	-0.3	DAX	19,443	+0.3	30.7	Wheat Chic.	601.0	+0.5
NZD/AUD	0.9061	+0.1			IDR	15,584	-0.3	CAC 40	7,503	+0.1	8.8	Sugar	22.20	-0.9
NZD/EUR	0.5561	-0.1			THB	33.69	-0.3	Nikkei	38,143	+0.1	22.0	Cotton	71.59	-1.3
NZD/GBP	0.4638	-0.2			KRW	1,381	-0.1	Shanghai	3,280	-0.7	10.3	Coffee	244.7	-3.1
NZD/JPY	91.24	-0.5			TWD	32.08	-0.0	ASX 200	8,206	-0.1	19.7	WM powder	3480	+0.0
NZD/CAD	0.8335	+0.3			PHP	57.98	+0.0	NZX 50	12,814	+0.2	17.7	Australian Futures		
NZ TWI	70.03	+0.0						VIX Index	19.22	-0.1	+1.3	3 year bond	96.08	0.02
												10 year bond	95.57	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	15-May-26	3.81	-0.01	BKBM 1-mth	4.88	0.00	
USD	5.00	4.85	3.84	3.72	AUD	4.19	-0.06	15-Apr-27	3.80	-0.02	BKBM 3-mth	4.56	-0.00	
AUD	4.35	4.39	4.00	4.47	NZD	4.49	-0.02	15-May-28	3.88	-0.02	1 year	3.93	0.02	
NZD	4.75	4.56	3.67	4.20	GER	2.27	-0.04	20-Apr-29	4.00	-0.02	2 year	3.67	-0.00	
EUR	3.25	3.09	2.28	2.40	GBP	4.24	0.04	15-May-30	4.12	-0.02	3 year	3.65	-0.00	
GBP	5.00	5.30	3.99	3.84	JPY	0.96	-0.02	15-May-31	4.25	-0.02	5 year	3.80	-0.01	
JPY	0.23	-0.03	0.50	0.95	CAD	3.23	-0.04	15-May-32	4.35	-0.02	7 year	3.99	-0.02	
CAD	3.75	4.97	2.95	3.09				14-Apr-33	4.43	-0.02	10 year	4.20	-0.02	
								15-May-34	4.49	-0.02	15 year	4.43	-0.02	
								15-May-35	4.57	-0.02				
								15-May-36	4.65	-0.02				
								15-May-37	4.71	-0.02				
								15-May-41	4.88	-0.02				
								15-May-51	4.99	-0.03				
								15-May-54	5.01	-0.03				

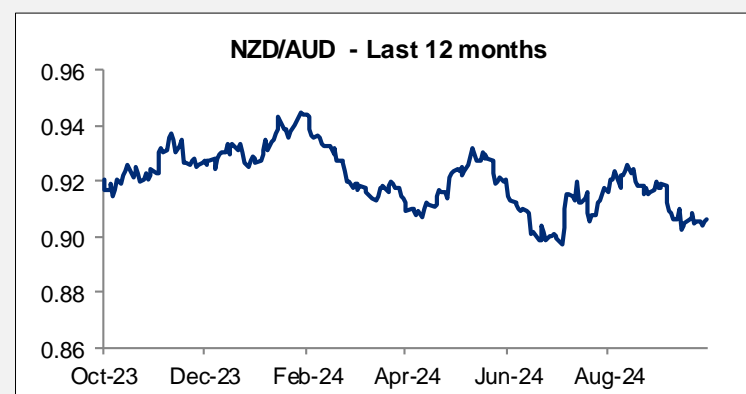
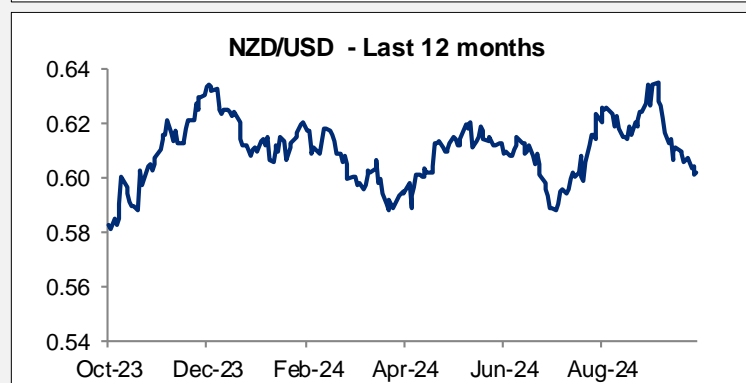
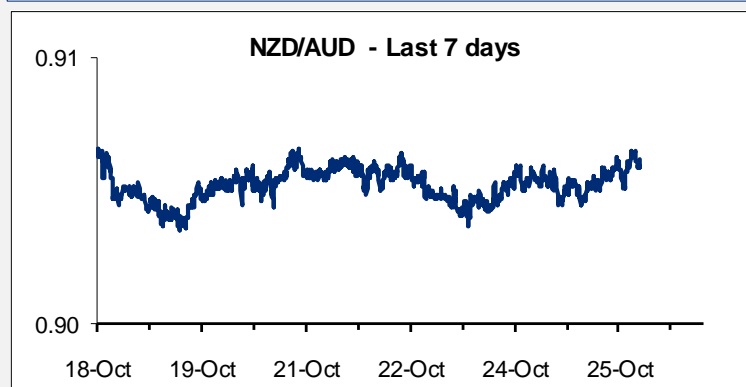
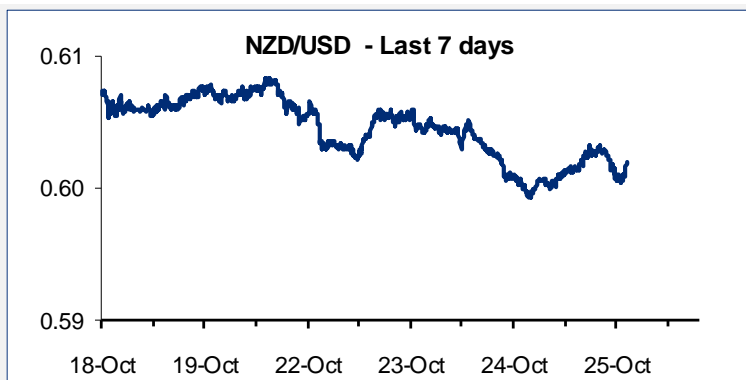
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:39

Source: Bloomberg

NZD exchange rates

25/10/2024	6:39 am	Prev. NY close
USD	0.6019	0.6005
GBP	0.4638	0.4647
AUD	0.9061	0.9052
EUR	0.5561	0.5569
JPY	91.24	91.73
CAD	0.8335	0.8309
CHF	0.5208	0.5203
DKK	4.1484	4.1541
FJD	1.3575	1.3574
HKD	4.6772	4.6652
INR	50.61	50.49
NOK	6.5838	6.6007
PKR	167.12	166.76
PHP	34.83	34.57
PGK	2.3716	2.3651
SEK	6.3558	6.3619
SGD	0.7935	0.7945
CNY	4.2852	4.2817
THB	20.26	20.12
TOP	1.4096	1.3972
VUV	72.64	72.26
WST	1.6418	1.6288
XPF	66.01	65.98
ZAR	10.6265	10.6780



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.69	0.89
3 Months	5.64	6.13
6 Months	12.50	13.51
9 Months	19.93	21.96
1 Year	26.29	29.29

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.27	-1.81
3 Months	0.94	2.04
6 Months	11.78	14.22
9 Months	27.79	32.59
1 Year	43.43	50.98

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