

Research Markets Today

26 November 2024

Events Round-Up

NZ: Real retail sales (q/q%), Q3: -0.1 vs. -0.5 exp.
NZ: Trade balance (ann \$b), Oct: -8.9 vs. -9.1 prev.
GE: IFO expectations, Nov: 87.2 vs. 87 exp.

Good Morning

The US dollar opened the week lower on the major crosses and treasury yields fell sharply in response to President-elect Trump's selection of Scott Bessent for Treasury Secretary. The nomination of Bessent, who is seen as a pragmatic pick given his deep familiarity with financial markets, is expected to prioritise economic and market stability.

In the first interview following his selection, Bessent said his policy priority will be to deliver on Trump's various tax-cut pledges. More broadly he is thought to favour lower fiscal deficits, lower inflation and a gradual approach to tariffs. He said earlier this month that he would recommend tariffs be 'layered in gradually' to mitigate the risk of shocks in the market.

Global equity markets advanced with the S&P making a fresh intra-day record high above 6,000. The Russell 2000 index of small cap stocks, which is typically sensitive to interest rates and the domestic economy, made strong gains and also traded to a record high. Oil prices fell after Israel said it is potentially close to a cease-fire agreement with Hezbollah. Brent crude fell to US\$73 per barrel.

After the initial move lower in the Asian time zone, US treasury yields continued to decline overnight. Yields on 10-year bonds dropped 10bp to 4.30% and back towards levels that prevailed ahead of the election. The yield curve flattened as 2-year yields dropped 7bp to 4.31%.

European sovereign bond yields also declined but the moves were relatively muted in comparison to treasuries. 10-year bunds closed 3bp lower at 2.21%.

The German Ifo index remained subdued reflecting the collapse of the German government and threat of tariffs. The advance PMIs, released at the end of last week, showed private-sector activity contracting at a quicker pace with the composite index falling to 47.3. The German

economy is expected to flat-line in Q4 before making a modest recovery next year.

After the initial gap on the global open yesterday, the moves in currency markets lost traction and the US dollar has rebounded overnight, despite the extension lower in treasury yields. Amongst the majors, EUR/USD peaked above 1.0520, before retracing. The Norwegian Krone underperformed within G10 currencies on softer oil prices.

The Australian currencies retraced overnight in line with the recovery in the US dollar. NZD/USD traded down toward 0.5840, only marginally above Fridays close. NZD/AUD has rebounded off the 2024 low and traded back towards 0.9000.

NZ retail sales volumes fell 0.1% in the September quarter. Although this was stronger than consensus estimates, retail sales remain exceptionally weak having contracted in ten of the past eleven quarters. This is the first major indicator for Q3 GDP and is consistent with another contraction.

There was a sharp move lower in NZ fixed income yields in the local session yesterday reflecting the move in global markets. NZ outperformed on a cross-market basis as investors looked ahead to the RBNZ's Monetary Policy Statement on Wednesday.

The ongoing soft tone in retail sales also supported the move. Swaps rates rallied 9bp in a parallel curve adjustment. 2-year yields closed at 3.64%. There was a modest outperformance by the government bonds which closed 10-11bp lower across the curve.

Australian 10-year government bond futures are 4bp lower in yield terms since the local close yesterday, which suggests a downward bias, for NZ yields on the open.

There is no domestic or regional economic data today. US new home sales and consumer confidence are the only releases of note. The Fed will release the minutes of its November FOMC tomorrow morning (NZT). The meeting took place just after the US election, but the minutes are unlikely to mention the outcome or how it might alter the policy outlook.

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Coming Up

	Period	Cons.	Prev. NZT	
US New Home Sales	Oct	725	738	04:00
US Conf. Board Consumer Conf.	Nov	111.8	108.7	04:00
US FOMC Meeting Minutes	Nov			08:00

Source: Bloomberg, BNZ

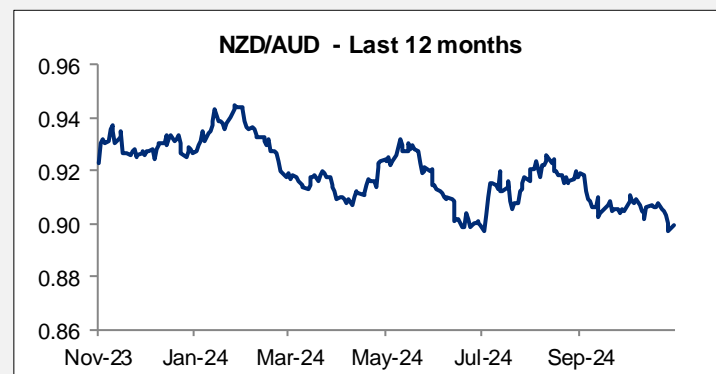
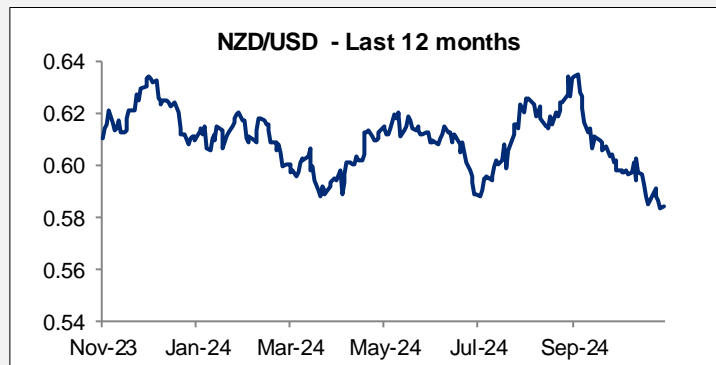
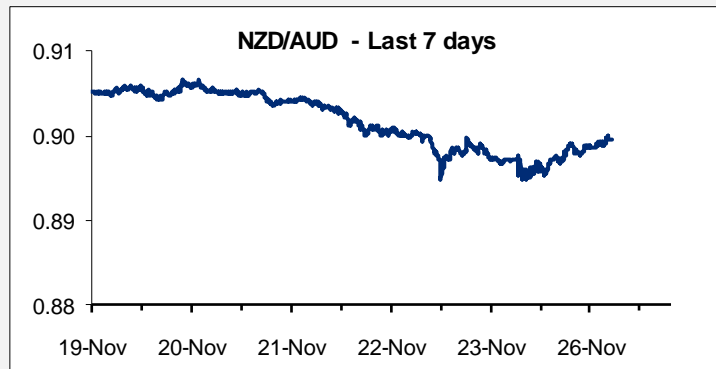
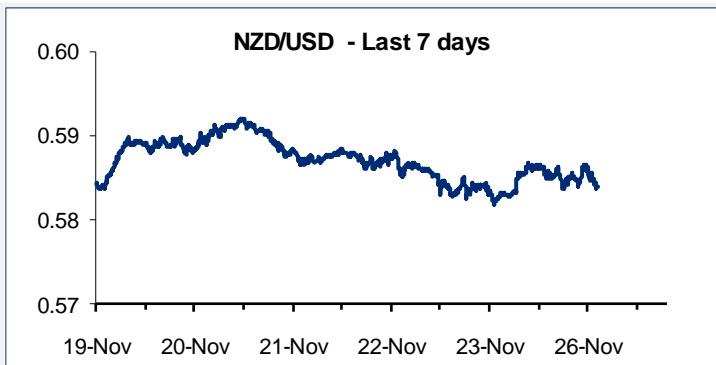
Currencies						Equities				Commodities				
FX Majors	Indicative overnight ranges (*)				Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.5839	+0.1	0.5836	0.5868	CHF	0.8875	-0.7	S&P 500	5,979	+0.2	31.1	Oil (Brent)	73.34	-2.4
AUD	0.6490	-0.2	0.6487	0.6528	SEK	11.007	-0.3	Dow	44,543	+0.6	25.9	Oil (WTI)	69.29	-2.7
EUR	1.0474	+0.5	1.0449	1.0530	NOK	11.118	+0.4	Nasdaq	19,003	+0.0	33.3	Gold	2628.9	-3.1
GBP	1.2549	+0.2	1.2542	1.2613	HKD	7.783	-0.0	Stoxx 50	4,800	+0.2	9.8	HRC steel	676.0	-0.6
JPY	154.29	-0.3	153.63	154.72	CNY	7.244	-0.0	FTSE	8,292	+0.4	10.7	CRB	289.9	+0.6
CAD	1.4003	+0.2			SGD	1.347	+0.0	DAX	19,405	+0.4	21.1	Wheat Chic.	554.5	-1.8
NZD/AUD	0.8997	+0.3			IDR	15,881	+0.0	CAC 40	7,257	+0.0	-0.5	Sugar	21.14	-1.0
NZD/EUR	0.5575	-0.3			THB	34.68	+0.5	Nikkei	38,780	+1.3	15.3	Cotton	73.34	+2.4
NZD/GBP	0.4653	-0.0			KRW	1,401	-0.3	Shanghai	3,264	-0.1	7.3	Coffee	305.9	+1.2
NZD/JPY	90.09	-0.2			TWD	32.48	-0.2	ASX 200	8,418	+0.3	19.6	WM powder	3915	+0.4
NZD/CAD	0.8176	+0.2			PHP	59.00	+0.2	NZX 50	13,196	+1.2	17.7	Australian Futures		
NZ TWI	69.16	+0.0						VIX Index	15.05	-1.2	+20.8	3 year bond	95.96	0.04
Interest Rates										10 year bond			95.56	0.10
	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	4.75	4.85	4.10	3.81	USD	4.29	-0.11	15-Apr-27	3.79	-0.10	BKBM 1-mth	4.36	-0.09	
AUD	4.35	4.42	4.04	4.45	AUD	4.48	-0.06	15-May-28	3.88	-0.11	BKBM 3-mth	4.32	-0.06	
NZD	4.75	4.32	3.64	4.14	NZD	4.48	-0.11	20-Apr-29	3.98	-0.11	1 year	3.83	-0.05	
EUR	3.25	3.02	2.18	2.24	GER	2.21	-0.03	15-May-30	4.11	-0.11	2 year	3.64	-0.09	
GBP	4.75	5.30	4.18	3.88	GBP	4.34	-0.04	15-May-31	4.25	-0.11	3 year	3.64	-0.09	
JPY	0.23	-0.03	0.64	1.05	JPY	1.08	-0.01	15-May-32	4.36	-0.11	5 year	3.78	-0.09	
CAD	3.75	4.97	3.14	3.14	CAD	3.33	-0.10	14-Apr-33	4.42	-0.11	7 year	3.95	-0.09	
						NZ Inflation-Indexed Bonds			15-May-34	4.48	-0.11	10 year	4.14	-0.09
						Sep-30	2.32	-0.09	15-May-35	4.56	-0.11	15 year	4.35	-0.09
						Sep-35	2.65	-0.09	15-May-36	4.65	-0.11			
						Sep-40	2.90	-0.09	15-May-37	4.72	-0.11			
									15-May-41	4.91	-0.11			
									15-May-51	5.04	-0.11			
									15-May-54	5.06	-0.11			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:28

Source: Bloomberg

NZD exchange rates

26/11/2024 6:28 am		Prev. NY close
USD	0.5839	0.5833
GBP	0.4653	0.4655
AUD	0.8997	0.8972
EUR	0.5575	0.5599
JPY	90.09	90.28
CAD	0.8176	0.8153
CHF	0.5182	0.5214
DKK	4.1579	4.1757
FJD	1.3408	1.3278
HKD	4.5444	4.5405
INR	49.21	49.26
NOK	6.4919	6.4564
PKR	162.24	161.94
PHP	34.44	34.37
PGK	2.3171	2.3147
SEK	6.4272	6.4379
SGD	0.7866	0.7855
CNY	4.2299	4.2278
THB	20.23	20.17
TOP	1.3976	1.3709
VUV	71.53	71.37
WST	1.6003	1.6077
XPF	66.11	66.73
ZAR	10.5629	10.5647



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.37	2.56
3 Months	7.15	7.66
6 Months	18.04	19.10
9 Months	29.74	31.92
1 Year	41.22	44.22

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.21	1.66
3 Months	5.42	6.84
6 Months	20.22	23.07
9 Months	37.14	42.93
1 Year	53.64	61.85

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