

Research Markets Today

27 November 2024

Events Round-Up

US: New Home Sales (k), Oct: 610 vs. 725 exp.

US: Conf. Board Consumer Conf, Nov: 111.7 vs. 111.8

Good Morning

US equities are marginally higher in afternoon trade while treasury yields increased as investors digested President-elect Trump's announcement that he would impose tariffs on Mexico, Canada and China at the beginning of his term. There was limited market reaction to upbeat US consumer confidence data. European equities declined with the Euro Stoxx closing 0.6% lower.

The Conference Board index of consumer confidence rose to the highest level since January which was in line with consensus estimates. Consumers are more optimistic about the labour market. However, the balance saying jobs are hard to get less those saying they are plentiful is still consistent with a modest rise in the unemployment rate. Separately, new home sales were weaker than expected.

The market is pricing 14bp of easing by the Federal Reserve at its December meeting which is little changed in recent sessions. The minutes for the November FOMC will be released after we publish *Markets Today* this morning. The minutes are likely to note a shift in the balance of risks towards resilient growth and some inflation persistence.

US treasury yields moved higher across the curve, partially retracing the sharp decline, from the previous session. 10-year yields are 4bp higher at 4.31% ahead of the US\$70 billion 5-year auction. 10-year bunds closed 2bp lower at 2.19%. A 3bp move higher in French yields saw the France-Germany spread reached the widest level since 2012.

The US dollar made sharp gains in the Asian session yesterday, after Trump said that he will levy tariffs of 25% on all imports from Canada and Mexico, and an extra 10% tariff on Chinese goods, in a post on his social media site. Although the dollar made broad-based gains, Mexican peso (MXN) and the Canadian dollar (CAD) were the most impacted, with the latter reaching the lowest level against the US dollar in four years.

The comments reduced investor expectations for a more moderate stance on tariffs after the nomination of Scott

Bessent for the Treasury Secretary role. While any implementation is highly uncertain, the lingering risks for fresh headlines will keep investors on edge and market volatility elevated.

The US dollar was stable against the euro and yen in offshore trade. The CAD staged a partial recovery against the dollar while the MXN remained under pressure. Having fallen to a fresh 2024 low near 0.5800 yesterday, NZD/USD has recovered off the lows, trading above 0.5860 overnight before fading. The AUD underperformed within G10 currencies, with NZD/AUD trading back above 0.9000.

NZ fixed income ended lower in yield in the local session yesterday, reflecting the treasury-led rally in global rates markets, in the absence of domestic data. There was a brief move higher in yield after Trump's tariff comments but ultimately NZ rates closed near the session lows. 2-year swap rates declined 3bp to 3.61%. The swap curve flattened modestly with 10-year rates closing 5bp lower at 4.09%.

Australian 10-year government bond futures little changed since the local close yesterday, which suggests limited directional bias, for NZ yields on the open.

It is a busy day ahead from a data perspective. Economists unanimously expect the RBNZ to reduce the OCR by 50bp to 4.25% at the Monetary Policy Statement. The Bank will also release updated forecasts including its modelled cash rate projections. The overnight index swap market is pricing ~57bp of easing for the meeting, implying some chance of a larger 75bp cut.

The October monthly CPI Indicator will be closely monitored in Australia. It only covers a subset of the full CPI basket, and being the first month of the quarter, is goods heavy and contains little information on services inflation. The market isn't pricing a full 25bp cut by the RBA until the May meeting.

The second estimate of US Q3 GDP is released later this evening and is expected to be unrevised from the advance reading (2.8% quarterly annualised). CPI and PPI data indicate the Fed's preferred inflation measure, the core PCE deflator, rose by 0.30%, lifting the annual inflation rate to 2.8%, from 2.7% in September.

stuart.ritson@bnz.co.nz

Coming Up

	Period	Cons.	Prev.	NZT
AU CPI (y/y%)	Oct	2.3	2.1	13:30
AU CPI Trimmed Mean (y/y%)	Oct		3.2	13:30
NZ RBNZ Official Cash Rate	Nov	4.25	4.75	14:00
GE GfK Consumer Confidence	Dec	-18.8	-18.3	22:30
US GDP Annualized (q/q%)	3Q S	2.8	2.8	02:30
US Advance Goods Trade Balance	Oct	-102.1	-108.2	02:30
US Durable Goods Orders	Oct P	0.5	-0.7	02:30
US Durables Ex Transportation	Oct P	0.1	0.5	02:30
US Initial Jobless Claims	23 Nov	215	213	02:30
US Personal Income	Oct	0.3	0.3	04:00
US Real Personal Spending	Oct	0.2	0.4	04:00
US Core PCE Price Index (m/m%)	Oct	0.3	0.3	04:00
US Core PCE Price Index (y/y%)	Oct	2.8	7.000	04:00
US Pending Home Sales (m/m%)	Oct	-2	7.4	04:00

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	0.5820	-0.4	0.5820	0.5866	CHF	0.8877	+0.2	S&P 500	6,007	+0.3	31.8	Oil (Brent)	72.95	-0.4
AUD	0.6454	-0.8	0.6453	0.6508	SEK	11.013	+0.2	Dow	44,607	-0.2	26.0	Oil (WTI)	68.90	-0.4
EUR	1.0468	-0.2	1.0464	1.0545	NOK	11.189	+0.8	Nasdaq	19,133	+0.4	34.3	Gold	2626.8	+0.3
GBP	1.2534	-0.3	1.2532	1.2616	HKD	7.783	+0.0	Stoxx 50	4,762	-0.8	8.9	HRC steel	676.0	+0.4
JPY	153.31	-0.6	152.99	154.22	CNY	7.251	+0.1	FTSE	8,259	-0.4	10.3	CRB	287.5	-0.8
CAD	1.4075	+0.7			SGD	1.348	+0.2	DAX	19,296	-0.6	20.4	Wheat Chic.	555.3	-0.2
NZD/AUD	0.9018	+0.3			IDR	15,935	+0.3	CAC 40	7,195	-0.9	-1.3	Sugar	21.67	+2.4
NZD/EUR	0.5560	-0.2			THB	34.74	+0.3	Nikkei	38,442	-0.9	14.9	Cotton	73.23	+0.0
NZD/GBP	0.4643	-0.2			KRW	1,397	-0.3	Shanghai	3,260	-0.1	7.5	Coffee	310.4	+1.8
NZD/JPY	89.23	-1.0			TWD	32.48	+0.0	ASX 200	8,359	-0.7	19.6	WM powder	3960	+1.1
NZD/CAD	0.8192	+0.2			PHP	59.00	+0.0	NZX 50	13,114	-0.6	17.6	Australian Futures		
NZ TWI	69.01	-0.2						VIX Index	14.01	-4.0	+12.4	3 year bond	96.01	0.05
Interest Rates										10 year bond 95.56 -0.03				
	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	3.83	USD	4.30	0.03	15-Apr-27	3.75	-0.04	BKBM 1-mth	4.35	-0.01	
AUD	4.35	4.42	4.04	4.46	AUD	4.45	-0.04	15-May-28	3.84	-0.04	BKBM 3-mth	4.33	0.01	
NZD	4.75	4.33	3.61	4.09	NZD	4.42	-0.06	20-Apr-29	3.92	-0.06	1 year	3.82	-0.01	
EUR	3.25	2.99	2.18	2.24	GER	2.19	-0.02	15-May-30	4.06	-0.05	2 year	3.61	-0.03	
GBP	4.75	5.30	4.18	3.88	GBP	4.35	0.01	15-May-31	4.19	-0.05	3 year	3.60	-0.04	
JPY	0.23	-0.03	0.65	1.06	JPY	1.07	-0.01	15-May-32	4.30	-0.06	5 year	3.73	-0.05	
CAD	3.75	4.97	3.09	3.09	CAD	3.28	-0.03	14-Apr-33	4.37	-0.05	7 year	3.90	-0.05	
					NZ Inflation-Indexed Bonds					10 year 4.09 -0.05				
					Sep-30	2.26	-0.06	15-May-34	4.42	-0.06	15 year	4.29	-0.05	
					Sep-35	2.59	-0.06	15-May-35	4.50	-0.06				
					Sep-40	2.84	-0.06	15-May-36	4.59	-0.06				
								15-May-37	4.66	-0.06				
								15-May-41	4.85	-0.06				
								15-May-51	4.98	-0.06				
								15-May-54	5.00	-0.06				

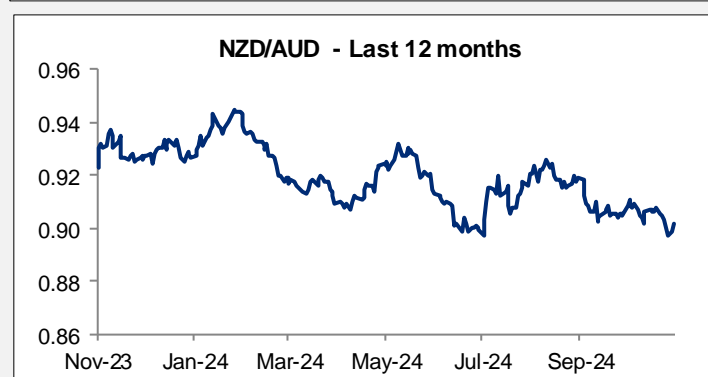
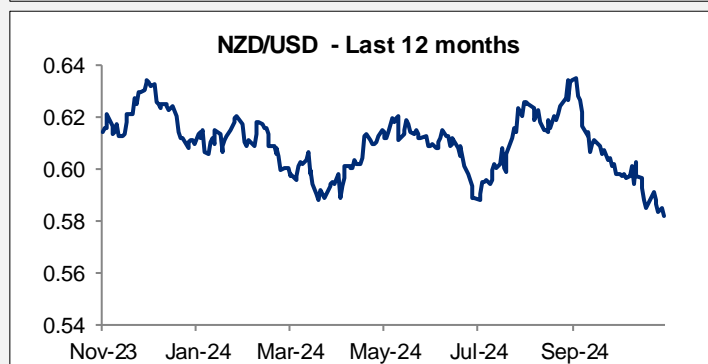
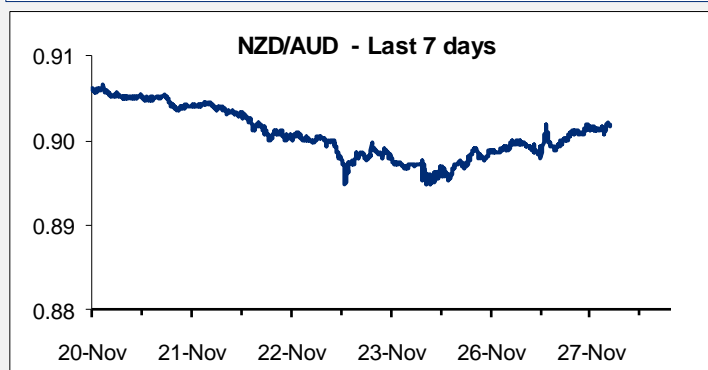
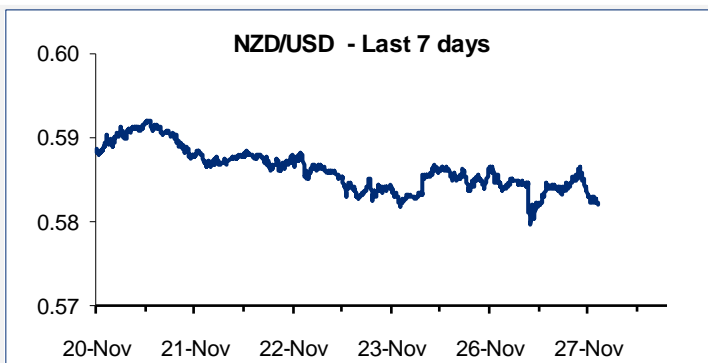
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:24

Source: Bloomberg

NZD exchange rates

27/11/2024 6:24 am		Prev. NY close
USD	0.5820	0.5845
GBP	0.4643	0.4651
AUD	0.9018	0.8987
EUR	0.5560	0.5569
JPY	89.23	90.15
CAD	0.8192	0.8175
CHF	0.5166	0.5180
DKK	4.1466	4.1541
FJD	1.3297	1.3388
HKD	4.5298	4.5488
INR	49.08	49.27
NOK	6.5122	6.4837
PKR	161.71	162.27
PHP	34.34	34.48
PGK	2.3104	2.3194
SEK	6.4096	6.4206
SGD	0.7848	0.7867
CNY	4.2201	4.2354
THB	20.20	20.25
TOP	1.3684	1.3990
VUV	70.36	71.61
WST	1.5950	1.6003
XPF	66.24	66.11
ZAR	10.5989	10.5573



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.49	2.71
3 Months	7.02	7.51
6 Months	18.15	19.36
9 Months	30.10	32.02
1 Year	42.09	45.09

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.53	2.05
3 Months	5.83	7.03
6 Months	21.03	23.92
9 Months	38.00	43.05
1 Year	55.57	63.00

Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Stuart Ritson

Senior Interest Rate Strategist
+64 9 9248601

Mike Jones

BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington

Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

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