

Research Markets Today

28 November 2024

Events Round-Up

AU: CPI (y/y%), Oct: 2.1 vs. 2.3 exp.
 AU: CPI Trimmed Mean (y/y%), Oct: 3.5 vs. 3.2 prev.
 NZ: RBNZ Official Cash Rate, Nov: 4.25 vs. 4.25 exp.
 GE: GfK Consumer Confidence, Dec: -23.3 vs. -18.8 exp.
 US: GDP Annualized (q/q%), 3Q S: 2.8 vs. 2.8 exp.
 US: Adv. Goods Trade Balance, Oct: -99.1 vs. -102.1 exp.
 US: Durable Goods Orders, Oct P: 0.2 vs. 0.5 exp.
 US: Durables Ex Transportation, Oct P: 0.1 vs. 0.1 exp.
 US: Initial Jobless Claims, 23 Nov: 213 vs. 215 exp.
 US: Personal Income, Oct: 0.6 vs. 0.3 exp.
 US: Real Personal Spending, Oct: 0.1 vs. 0.2 exp.
 US: Core PCE Price Index (m/m%), Oct: 0.3 vs. 0.3 exp.
 US: Core PCE Price Index (y/y%), Oct: 2.8 vs. 2.8 exp.
 US: Pending Home Sales (m/m%), Oct: 6.6 vs. -2 exp.

Good Morning

US equity markets declined set against the backdrop of economic data, which was consistent the cautious pace of easing, outlined in the November FOMC minutes yesterday. The S&P is down 0.6% in afternoon trade, but remains close to its record high, reached earlier in the week. The US dollar fell sharply, which is likely attributable to month-end rebalancing flows, although lower treasury yields were likely a factor as well.

The core PCE deflator increased 0.3% in October, taking the annual rate to 2.8%, from 2.7% the previous month. Both readings were in line with consensus estimates. The monthly gain is the largest since March. Real consumption rose by 0.1%, slightly below the 0.2% consensus. Overall, the stalling disinflation momentum aligns with the Fed slowing the pace of rate cuts.

US GDP data was unchanged from the preliminary reading for the three months to the end of September. The economy grew at a 2.8% annualised rate in Q3. Separately, US weekly jobless claims fell to 7-month low of 213k. However, continuing claims increased to 1.91mn which is the highest level more than a year.

The market is pricing 17bp of easing at the December FOMC, little changed in response to the data. US treasury yields traded lower with the curve bull flattening. 10-year yields declined 7bp to 4.23% and are now comfortably

below pre-election levels. There was strong demand in the US\$44 billion 7-year note auction which cleared below the prevailing market yield. All three treasury maturities offered this week have seen strong demand from investors.

European bond yields declined. The spread between French and German 10-year sovereign bonds reached the highest level since the Eurozone crisis in 2012. Investors are concerned Prime Minister Barnier may struggle to pass his budget for next year aimed at curbing the fiscal deficit.

The US dollar fell sharply against G10 currencies with the dollar index declining close to 1%. Some of the retracement is likely linked to month end rebalancing flows, after the strong relative performance of US equities, during the month. The dollar's decline was most pronounced against the major pairings while the NZD, AUD and Canadian dollar made more modest gains.

Amid the dollar weakness, NZD/USD traded back above 0.5900, marking a sharp rebound from the low near 0.5800, earlier in the week. NZD/AUD has continued to press higher and extended above 0.9090. NZD/JPY slipped below 89.00.

The RBNZ reduced the OCR by 50bp to 4.25% which was in line with economists' estimates despite the market pricing a chance of a larger 75bp cut. The Monetary Policy Statement outlined that economic activity remains subdued, and inflation is sustainably within the target range. If economic conditions continue to evolve in line with its projections, the Bank expects to be able to lower the OCR further early next year.

NZ swap rates moved sharply higher immediately after the RBNZ decision yesterday, with the market interpreting the updated projections, as a signal the Bank will slow the pace of easing going forward. However, Governor Orr's comments in the press conference that the modelled OCR track is 'consistent with a 50bp cut in February' contributed to a reversal off the session highs. 2-year swap rates closed 10bp higher at 3.71%. The swap curve flattened modestly with 10-year rates closing 4bp higher at 4.13%.

Government bonds outperformed at the margin with 10-year yields up 3bp to 4.45%. NZDM will offer NZ\$500 million of nominal NZGBs in the weekly tender today split

across Apr-29 (\$250m), Apr-33 (\$175m) and May-41 (\$75m). Australian 10-year government bond futures are 7bp lower in yield terms since the local close yesterday, which suggests a downward bias, for NZ yields on the open.

October filled jobs are released today which will give a sense of how employment is tracking into the final quarter of the year. November's ANZ business survey is likely to maintain the divergence between weak current activity and positive forward-looking indicators. The inflation components within the report will be closely monitored.

RBA governor Bullock is speaking later this evening. The market will be looking for clues on what the central bank would need to see to shift its assessment of the economy and monetary policy. US Bond and equity markets are

closed for Thanksgiving and have a shortened trading session on Friday.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Filled Jobs SA (m/m%)	Oct		0	10:45
NZ	ANZ Activity Outlook	Nov		45.9	13:00
AU	RBA's Bullock-Speech				21:55
EC	Economic Confidence	Nov	95.2	95.6	23:00
GE	CPI EU Harmonized (y/y%)	Nov P	2.6	2.4	02:00

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	0.5903	+1.2	0.5865	0.5908	CHF	0.8810	-0.6	S&P 500	5,990	-0.5	31.6	Oil (Brent)	72.35	-0.6	
AUD	0.6496	+0.3	0.6473	0.6501	SEK	10.902	-0.8	Dow	44,795	-0.1	26.8	Oil (WTI)	68.33	-0.7	
EUR	1.0579	+0.9	1.0475	1.0588	NOK	11.056	-0.9	Nasdaq	18,969	-1.1	33.2	Gold	2642.3	+0.8	
GBP	1.2684	+0.9	1.2567	1.2694	HKD	7.781	-0.0	Stoxx 50	4,733	-0.6	8.7	HRC steel	702.0	-0.1	
JPY	150.73	-1.5	150.46	152.46	CNY	7.245	-0.1	FTSE	8,275	+0.2	10.9	CRB	288.0	+0.2	
CAD	1.4030	-0.2			SGD	1.339	-0.6	DAX	19,262	-0.2	20.6	Wheat Chic.	548.3	-1.7	
NZD/AUD	0.9087	+0.8			IDR	15,935	+0.3	CAC 40	7,143	-0.7	-1.7	Sugar	21.71	+0.6	
NZD/EUR	0.5580	+0.3			THB	34.49	-0.7	Nikkei	38,135	-0.8	14.1	Cotton	73.70	+0.4	
NZD/GBP	0.4654	+0.3			KRW	1,391	-0.4	Shanghai	3,310	+1.5	8.9	Coffee	323.1	+4.6	
NZD/JPY	88.98	-0.4			TWD	32.55	+0.2	ASX 200	8,407	+0.6	19.8	WM powder	4020	+1.5	
NZD/CAD	0.8282	+1.0			PHP	58.72	-0.5	NZX 50	13,213	+0.8	17.6	Australian Futures			
NZ TWI	69.66	+0.8						VIX Index	14.98	+6.2	+18.0	3 year bond	96.03	0.02	
Interest Rates											10 year bond			95.64	0.08
	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	4.03	3.77	USD	4.24	-0.07	15-Apr-27	3.81	0.06	BKBM 1-mth	4.33	-0.02		
AUD	4.35	4.42	3.99	4.40	AUD	4.42	-0.03	15-May-28	3.90	0.06	BKBM 3-mth	4.33	-0.00		
NZD	4.25	4.33	3.71	4.13	NZD	4.46	0.04	20-Apr-29	3.98	0.05	1 year	3.90	0.08		
EUR	3.25	2.90	2.20	2.23	GER	2.16	-0.03	15-May-30	4.11	0.05	2 year	3.71	0.10		
GBP	4.75	5.30	4.18	3.84	GBP	4.30	-0.06	15-May-31	4.24	0.05	3 year	3.68	0.08		
JPY	0.23	-0.03	0.65	1.04	JPY	1.07	-0.00	15-May-32	4.35	0.04	5 year	3.79	0.06		
CAD	3.75	4.97	3.03	3.02	CAD	3.22	-0.06	14-Apr-33	4.41	0.04	7 year	3.95	0.05		
							NZ Inflation-Indexed Bonds			15-May-34	4.46	0.04	10 year	4.13	0.04
							Sep-30	2.26	0.00	15-May-35	4.54	0.03	15 year	4.33	0.04
							Sep-35	2.59	0.00	15-May-36	4.62	0.03			
							Sep-40	2.84	0.00	15-May-37	4.69	0.03			
										15-May-41	4.88	0.03			
										15-May-51	5.00	0.02			
										15-May-54	5.03	0.02			

* These are indicative ranges from 5pm NZT;

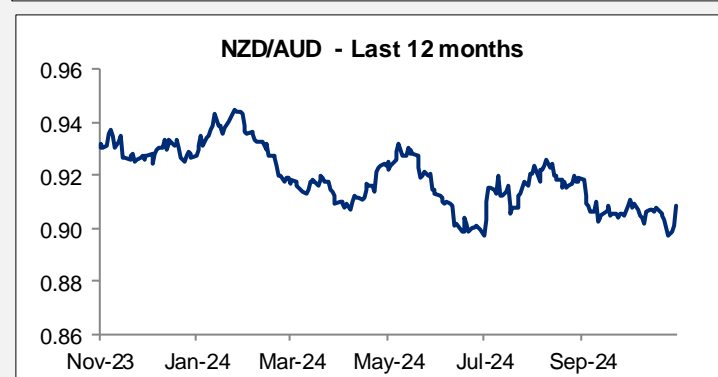
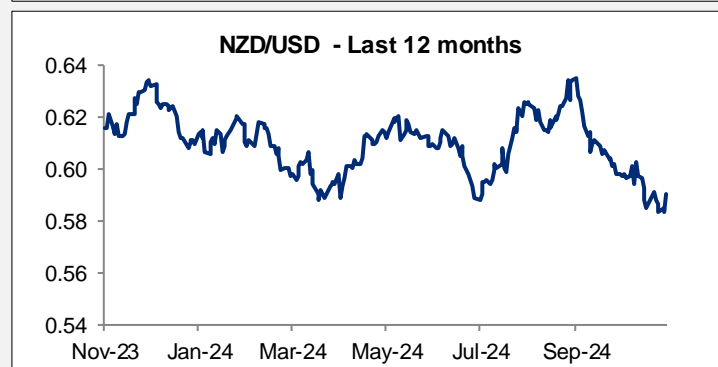
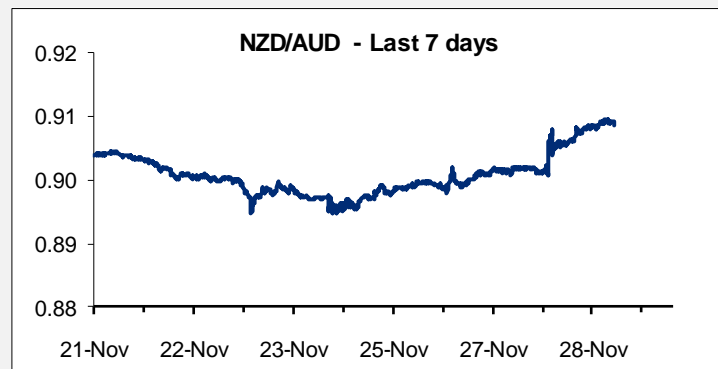
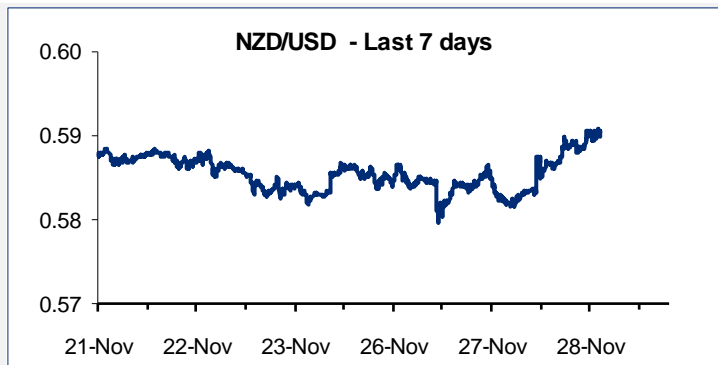
please confirm rates with your BNZ dealer

Rates are as of: NZT 06:31

Source: Bloomberg

NZD exchange rates

28/11/2024 6:31 am		Prev. NY close
USD	0.5903	0.5834
GBP	0.4654	0.4642
AUD	0.9087	0.9010
EUR	0.5580	0.5562
JPY	88.98	89.31
CAD	0.8282	0.8199
CHF	0.5201	0.5172
DKK	4.1619	4.1484
FJD	1.3555	1.3359
HKD	4.5931	4.5406
INR	49.85	49.20
NOK	6.5261	6.5109
PKR	164.09	161.97
PHP	34.66	34.42
PGK	2.3443	2.3160
SEK	6.4352	6.4113
SGD	0.7905	0.7857
CNY	4.2769	4.2298
THB	20.42	20.25
TOP	1.3991	1.3924
VUV	72.11	71.43
WST	1.6287	1.6026
XPF	66.50	66.34
ZAR	10.7220	10.6159



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.19	2.48
3 Months	5.78	6.28
6 Months	15.21	16.42
9 Months	25.67	27.77
1 Year	33.99	36.99

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.25	1.96
3 Months	4.64	5.83
6 Months	17.90	20.82
9 Months	33.00	38.24
1 Year	44.79	53.21

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