

Research Markets Today

29 October 2024

Events Round-Up

NZ: ANZ consumer confidence, Oct: 91.2 vs. 95.1 prev.
 JN: Tokyo CPI (y/y%), Oct: 1.8 vs. 1.8 exp.
 JN: Tokyo CPI x-fresh fd, energy (y/y%), Oct: 1.8 vs. 1.6 exp.
 GE: IFO expectations, Oct: 87.3 vs. 86.9 exp.
 CA: Retail sales ex auto (m/m%), Aug: -0.7 vs. 0.4 exp.
 US: Durable goods orders (m/m%), Sep: -0.8 vs. -1.0 exp.
 US: Durables ex transport. (m/m%), Sep: 0.4 vs. -0.1 exp.
 US: U. of Mich. consumer sent., Oct: 70.5 vs. 69.1 exp.
 US: U. of Mich. 5-10 Yr inflation exp., Oct: 3.0 vs. 3.0 exp.

Good Morning

Since locals left for the long weekend, key market movements have been a plunge in oil prices, with Israel's limited attack against Iran over, a weaker JPY following Japan's Lower House elections which resulted in the ruling coalition losing its majority, and the Trump trade extending, with higher US Treasury yields, higher US equities and a broadly stronger USD. The NZD fell to a fresh multi-week low yesterday and continues to languish below 0.60.

In Japan, the ruling LDP party was the biggest loser at the Lower House elections on Sunday, falling 18 seats short of a majority, even including the seats of its coalition partner Komei. PM Ishiba, who gambled on an early election after recently being appointed leader of LDP and assuming the role of PM, is still looking to form a government, but a period of uncertainty now ensues. The market's view is that any new government will likely lead to easier than otherwise fiscal policy as concessions will need to be made, while the uncertainty also likely leads to the BoJ delaying the policy normalisation process. However, if the yen continues to weaken, then the BoJ's hand might be forced in December.

JPY opened the week on a soft note and losses extended. USD/JPY met some resistance just under 153.90 yesterday afternoon and it currently at 153.30. NZD/JPY has been remarkably stable through October, hovering between 90-92 and is up 0.7% since last week's close at 91.6.

After the NY market close on Friday, Israel launched its promised retaliatory attack against Iran with a limited, targeted attack on military sites. The attack avoided oil,

nuclear and civilian sites, in line with the request by the US. The limited scale of the attack came as a relief to the market, and oil prices opened the week on a soft note. The escalation of tensions looks to be contained for now. Some of the geopolitical risk premium has been removed and Brent crude is currently down more than 5½% for the day, trading under USD72 per barrel.

Elsewhere, market pricing reflects rising odds of a Trump victory at next week's US election as he continues to gain support. The RealClearPolitics average of 14 national polls, now shows Trump in front by a nose over Harris (just 0.1%), albeit his first lead since early August, reflecting rising momentum in support over the past two months. More importantly than the popular vote, Trump is ahead of Harris in all six key battleground States. Betting odds range between 61-66% of a Trump victory.

The S&P500 is up 0.4% for the day after flat trading on Friday. Focus this week will be on the earnings reports of five of the seven Magnificent 7 stocks. The stock most exposed to a Trump victory, Trump Media and Technology, is up 19% overnight, 30% over two days and nearly 200% over the month to date.

US Treasury yields are up 4-5bps for the day, extending the small lift seen in overnight Friday trading. The 10-year rate is at 4.28%, after trading just under 4.30%, its highest level since early July. Higher Treasury yields have gone against a small fall in rates in continental European markets, while the UK 10-year rate is up only 2bps.

The USD is broadly weaker overnight, after a solid rally through the Asian trading session, leaving it broadly stronger from where we left it Friday. The weaker yen (already noted) spilled over into a weaker yuan, NZD and AUD. The NZD traded at a fresh low of 0.5958 around 5:30pm yesterday, before recovering to an overnight high just under 0.60 and has since slipped back to around 0.5975. The AUD has underperformed, consolidating below 0.66 and NZD/AUD has pushed up to 0.9080. NZD crosses against EUR and GBP are slightly lower from where we left them Friday.

There were no economic releases of note Monday or overnight. US economic data released Friday night, albeit very much second-tier, continued their run of being stronger than expected. Durable goods orders, excluding the volatile transportation category, rose 0.4% m/m in September. The final reading of the University of Michigan

consumer sentiment index for October was revised up 1.6pts to 70.5, taking it to a six-month high.

Germany's October IFO survey showed the first lift in the business climate index since May, up 1.1pts to 86.5, with gains in both current assessment and expectations components. The data were consistent with the lift in Germany's PMI index released a day earlier. German economic growth remains weak, but with some tentative sign that the worst might be over.

In the domestic rates market on Friday, NZGBs showed further cross market outperformance in the wake of the 2030 bond syndication earlier in the week. NZGB yields fell 7bps across most of the curve, with smaller declines at the very short-end. The 10-year rate closed the week at 4.42%, in line with the Australian 10-year rate, meaning a spread close to zero, and 23bps above the US 10-year rate at the time. Swap rates closed the day down 5-8bps across the curve. Since Friday's close, the Australian 10-year bond future is up 7bps in yield terms, while the US 10-year rate is up 9bps.

The week ahead is action packed. As well as key US earnings reports and the much-anticipated UK Budget, there is an abundance of global top-tier data releases that could swing markets around, culminating with the US employment report at the end of the week. In the day ahead, NZ filled jobs data will be released, while interest tonight will be focused on the US JOLTS labour market report.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ Filled jobs (m/m%)	Sep		0.2	10:45
GE GfK consumer confidence	Nov	-20.5	-21.2	20:00
US Goods trade balance (\$b)	Sep	-95.9	-94.3	01:30
US JOLTS job openings (k)	Sep	8000	8040	03:00
US Conf. Board consumer confidence	Oct	99.5	98.7	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	0.5976	-0.0	0.5963	0.5998	CHF	0.8652	-0.2	S&P 500	5,833	+0.4	41.7	Oil (Brent)	71.76	-5.7
AUD	0.6584	-0.4	0.6581	0.6610	SEK	10.639	+0.2	Dow	42,443	+0.8	30.9	Oil (WTI)	67.72	-5.7
EUR	1.0814	+0.1	1.0786	1.0828	NOK	10.989	+0.1	Nasdaq	18,624	+0.5	47.3	Gold	2742.9	-0.0
GBP	1.2976	+0.1	1.2947	1.3001	HKD	7.772	+0.0	Stoxx 50	4,970	+0.5	23.8	HRC steel	710.0	+0.9
JPY	153.26	+0.6	152.41	153.56	CNY	7.129	+0.1	FTSE	8,286	+0.4	13.6	CRB	284.7	+0.8
CAD	1.3892	+0.0			SGD	1.323	+0.1	DAX	19,532	+0.3	33.0	Wheat Chic.	580.3	-1.5
NZD/AUD	0.9077	+0.3			IDR	15,724	+0.5	CAC 40	7,557	+0.8	11.2	Sugar	21.96	-0.7
NZD/EUR	0.5526	-0.2			THB	33.79	+0.3	Nikkei	38,606	+1.8	24.6	Cotton	70.45	-0.3
NZD/GBP	0.4605	-0.2			KRW	1,385	-0.5	Shanghai	3,322	+0.7	10.1	Coffee	252.4	+1.8
NZD/JPY	91.59	+0.6			TWD	32.07	+0.0	ASX 200	8,222	+0.1	20.4	WM powder	3525	+1.3
NZD/CAD	0.8302	+0.0			PHP	58.26	-0.1	NZX 50	12,772	-0.3	18.6	Australian Futures		
NZ TWI	69.76	-0.4						VIX Index	19.24	-5.4	-9.5	3 year bond	96.04	-0.07
Interest Rates														
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	5.00	4.85	3.93	3.80	USD	4.28	0.04	15-May-26	3.77	-0.04	BKBM 1-mth	4.88	0.00	
AUD	4.35	4.40	4.02	4.52	AUD	4.48	0.07	15-Apr-27	3.74	-0.06	BKBM 3-mth	4.55	-0.00	
NZD	4.75	4.55	3.61	4.12	NZD	4.42	-0.07	15-May-28	3.81	-0.07	1 year	3.91	-0.03	
EUR	3.25	3.06	2.28	2.40	GER	2.29	-0.01	20-Apr-29	3.93	-0.07	2 year	3.61	-0.05	
GBP	5.00	5.30	4.02	3.87	GBP	4.25	0.02	15-May-30	4.05	-0.07	3 year	3.59	-0.06	
JPY	0.23	-0.03	0.50	0.97	JPY	0.98	0.03	15-May-31	4.18	-0.07	5 year	3.74	-0.07	
CAD	3.75	4.97	2.98	3.11	CAD	3.27	0.01	15-May-32	4.28	-0.07	7 year	3.92	-0.07	
						NZ Inflation-Indexed Bonds								
						Sep-30	2.36	-0.04	14-Apr-33	4.36	-0.07	10 year	4.12	-0.08
						Sep-35	2.68	-0.04	15-May-34	4.42	-0.07	15 year	4.35	-0.08
						Sep-40	2.92	-0.04	15-May-35	4.50	-0.07			
									15-May-36	4.58	-0.07			
									15-May-37	4.64	-0.07			
									15-May-41	4.82	-0.07			
									15-May-51	4.92	-0.07			
									15-May-54	4.94	-0.07			

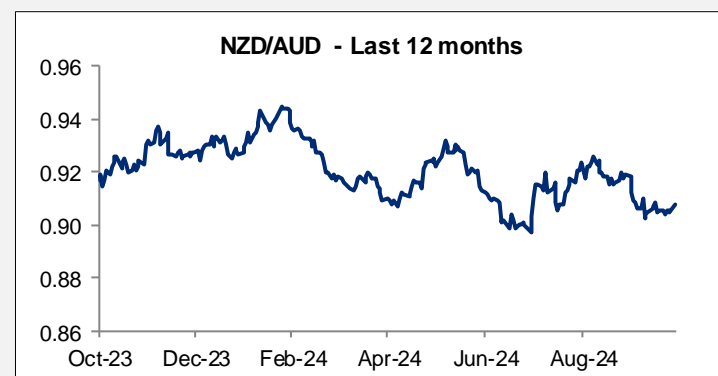
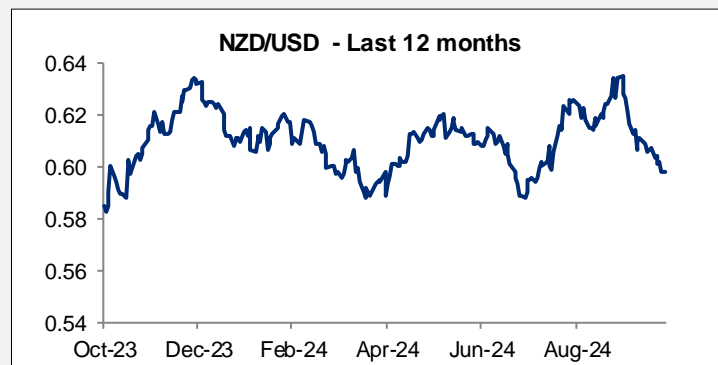
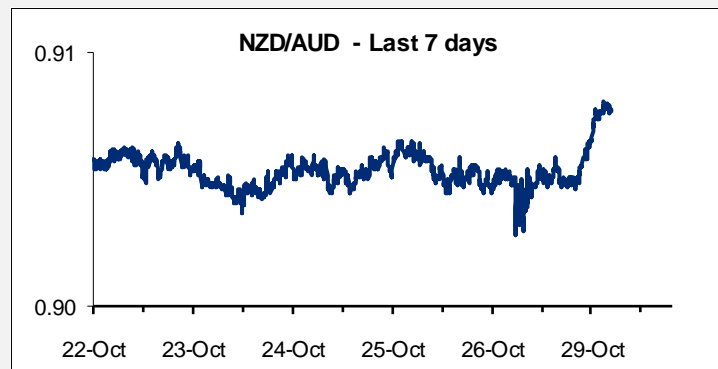
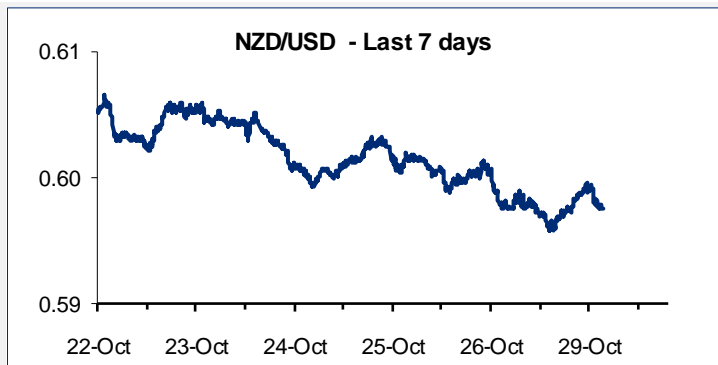
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 07:00

Source: Bloomberg

NZD exchange rates

29/10/2024	7:00 am	Prev. NY close
USD	0.5976	0.5977
GBP	0.4605	0.4611
AUD	0.9077	0.9045
EUR	0.5526	0.5536
JPY	91.59	91.04
CAD	0.8302	0.8303
CHF	0.5175	0.5181
DKK	4.1213	4.1313
FJD	1.3551	1.3434
HKD	4.6475	4.6442
INR	50.28	50.26
NOK	6.5721	6.5614
PKR	166.02	165.95
PHP	34.83	34.87
PGK	2.3590	2.3559
SEK	6.3603	6.3504
SGD	0.7909	0.7897
CNY	4.2621	4.2565
THB	20.25	20.19
TOP	1.3920	1.3781
VUV	72.29	72.11
WST	1.6151	1.6118
XPF	65.80	65.86
ZAR	10.5813	10.5588



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.53	0.86
3 Months	5.22	6.17
6 Months	12.89	14.21
9 Months	21.04	24.11
1 Year	29.50	32.50

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.46	-1.71
3 Months	0.18	2.22
6 Months	11.67	14.67
9 Months	27.45	34.14
1 Year	44.66	52.38

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