

Research Markets Today

31 October 2024

Events Round-Up

AU: CPI (y/y%), 3Q: 2.8 vs. 2.9 exp.
 AU: CPI Trimmed Mean (q/q%), 3Q: 0.8 vs. 0.8 exp.
 AU: CPI Trimmed Mean (y/y%), 3Q: 3.5 vs. 3.5 exp.
 GE: Unemployment Claims Rate SA, Oct: 6.1 vs. 6.1 exp.
 GE: GDP SA (q/q%), 3Q P: 0.2 vs. -0.1 exp.
 GE: CPI EU Harmonized (y/y%), Oct P: 2.0 vs. 2.1 exp.
 EC: Economic Confidence, Oct: 95.6 vs. 96.3 exp.
 EC: GDP SA (q/q%), 3Q A: 0.4 vs. 0.2 exp.
 US: ADP Employment Change, Oct: 233 vs. 111.5 exp.
 US: GDP Annualized (q/q%), 3Q A: 2.8 vs. 3 exp.
 US: Core PCE Price Index (q/q%), 3Q A: 2.2 vs. 2 exp.
 US: Pending Home Sales (m/m%), Sep: 7.4 vs. 1.9 exp.

Good Morning

US equity markets struggled to gain traction, as investors remained focused on company earnings including technology companies Microsoft and Meta and digested robust US GDP data. The S&P is modestly higher in afternoon trading while European stocks declined despite Euro-area growth beating expectations. The Euro Stoxx index closed 1.2% lower. US treasuries moved modestly higher in yield and the US dollar index declined.

The US economy expanded at a 2.8% annual rate in the September quarter, underpinned by strong consumer spending, which grew by 3.7% and is the fastest pace in over a year. The core PCE deflator increased 2.2% in Q3, marginally above expectations, but still representing a significant slowing from the 3.3% average in the first half of 2024. This implies a 0.3% increase in the core PCE deflator for September, which is in line with previous consensus estimates.

ADP reported that private sector employment increased 233k in October, which was higher than expectations, despite disruptions from several hurricanes. Although the data was strong, the ADP payrolls data has not had a strong relationship with actual payrolls in recent months.

The Eurozone economy expanded by 0.4% in the third quarter which was above the 0.2% consensus estimates and the ECB's staff forecasts. In the regional data, the German economy grew by 0.2% and avoided falling into a technical recession.

There was little change in market pricing for easing by the Federal reserve after the data, with a 25bp cut all but priced for the November meeting, and 43bp of rate cuts implied by the end of the year. US treasuries trade was choppy, with an initial move higher in response to the ADP data, ultimately sustained. 2-year yields are 4bp higher at 4.14% while 10-year notes are little changed at 4.25%.

UK gilts were volatile as UK chancellor Rachel Reeves delivered her debut budget which included GBP 40 billion of tax increases. Gilt yields fell initially but reversed higher as the market digested plans to ramp up borrowing. 10-year yields were 20bp above the intra-day low at one point before settling at 4.35%.

In currency markets, the US dollar was broadly weaker, with the euro outperforming amongst the majors while the yen was little changed. The AUD and NZD are both close to 0.5% higher overnight. NZD/USD briefly traded above 0.6000 but has faded into the local open. The NZD gained against the yen and pound. NZD/GBP rebounded above 0.4600 having reached fresh multi-week lows yesterday.

NZ fixed income yields were little changed in the local session yesterday in the absence of domestic data or other catalysts. Australian Q3 CPI broadly matched expectations and provided little impetus for regional rates markets. 2-year NZ swap rates closed 2bp lower at 3.62% while 10-year rates closed at 4.14%, also 2bp lower on the day. 10-year government bonds closed 1bp higher at 4.45%.

Australian 10-year government bond futures are ~2bp higher in yield terms since the local close yesterday suggesting a modest upward bias for NZ yields on the open.

The NZGB market looks ahead to the weekly bond tender this afternoon. New Zealand Debt Management (NZDM) is tendering NZ\$500 million of nominal NZGBs split across May-29 (\$175m), May-34 (\$250m) and May-41 (\$75m). Last week's tender was cancelled due to the timing of the tap syndication of the May-2030 nominal maturity.

The ANZ Business Survey for October is released today. The activity outlook has surged in recent months and has been materially above similar indicators including the Quarterly Survey of Business Opinion. Chinese PMIs will be monitored to see if the recently announced stimulus

measures will improve sentiment. The Bank of Japan is expected to leave its policy rate unchanged at 0.25%.

Euro-area core CPI is expected increase at a 2.6% annual rate, marginally below the 2.7% reading for September. ECB president Lagarde suggested inflation risks are skewed lower in the press conference accompanying the 25bp cut this month. Given the US PCE details were revealed in the GDP release, attention will centre on the Q3 employment cost index which is the Fed's preferred wage metric.

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Coming Up

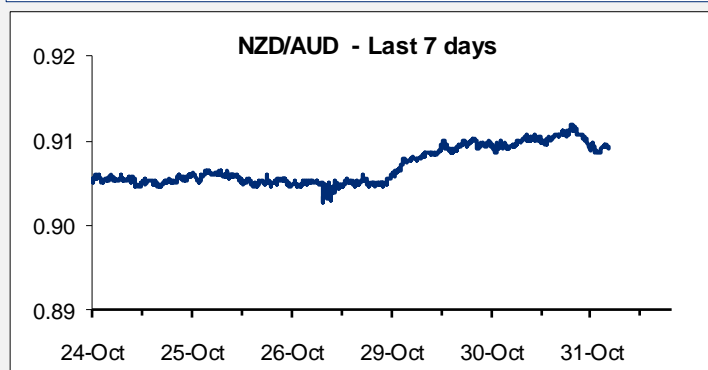
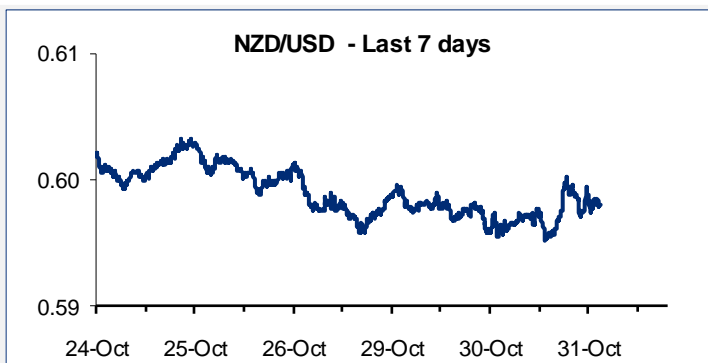
	Period	Cons.	Prev.	NZT
NZ ANZ Activity Outlook	Oct		45.3	13:00
AU Building Approvals (m/m%)	Sep	2.1	-6.1	13:30
AU Retail Sales Ex Inflation (q/q%)	3Q	0.5	-0.3	13:30
CH Manufacturing PMI	Oct	49.9	49.8	14:30
CH Non-manufacturing PMI	Oct	50.3	50	14:30
JN BOJ Target Rate	Oct	0.25	0.25	
EC CPI Estimate (y/y%)	Oct	1.9	1.8	23:00
EC CPI Core (y/y%)	Oct P	2.6	2.7	23:00
EC Unemployment Rate	Sep	6.4	6.4	23:00
US Employment Cost Index	3Q	0.9	0.9	01:30
CA GDP (m/m%)	Aug	0	0.2	01:30
US Personal Income	Sep	0.3	0.2	01:30
US Real Personal Spending	Sep	0.3	0.1	01:30
US Core PCE Price Index (m/m%)	Sep	0.26	0.1	01:30
US Core PCE Price Index (y/y%)	Sep	2.6	2.7	01:30
US Initial Jobless Claims (k)	Oct 26	230	227	01:30
US MNI Chicago PMI	Oct	47	46.6	02:45

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	0.5980	+0.1	0.5959	0.6002	CHF	0.8661	-0.1	S&P 500	5,839	+0.1	40.1	Oil (Brent)	72.50	+1.9
AUD	0.6577	+0.2	0.6542	0.6596	SEK	10.665	+0.2	Dow	42,276	+0.1	28.4	Oil (WTI)	68.58	+2.0
EUR	1.0864	+0.4	1.0808	1.0867	NOK	10.955	-0.0	Nasdaq	18,697	-0.2	46.2	Gold	2799.7	+0.7
GBP	1.2987	-0.2	1.2937	1.3043	HKD	7.773	+0.0	Stoxx 50	4,886	-1.3	21.3	HRC steel	701.0	-1.4
JPY	153.23	-0.1	152.78	153.49	CNY	7.116	-0.2	FTSE	8,160	-0.7	11.4	CRB	278.3	+0.2
CAD	1.3910	-0.1			SGD	1.322	-0.2	DAX	19,257	-1.1	30.9	Wheat Chic.	595.0	+0.8
NZD/AUD	0.9092	-0.1			IDR	15,705	-0.4	CAC 40	7,428	-1.1	8.8	Sugar	22.22	+0.7
NZD/EUR	0.5504	-0.3			THB	33.74	+0.2	Nikkei	39,277	+1.0	27.3	Cotton	69.83	-1.0
NZD/GBP	0.4605	+0.3			KRW	1,379	-0.3	Shanghai	3,266	-0.6	8.2	Coffee	249.7	+0.6
NZD/JPY	91.63	+0.0			TWD	32.02	-0.3	ASX 200	8,180	-0.8	20.6	WM powder	3625	+2.0
NZD/CAD	0.8318	+0.1			PHP	58.24	-0.1	NZX 50	12,695	-0.7	18.0	Australian Futures		
NZ TWI	69.73	-0.0						VIX Index	19.72	+2.0	-0.2	3 year bond	96.05	-0.02
												10 year bond	95.51	-0.02
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	Last	Net Day						Last	Chg	
USD	5.00	4.85	3.92	3.77	USD	4.26	0.00	15-May-26	3.80	0.01	BKBM 1-mth	4.86	0.00	
AUD	4.35	4.39	4.06	4.53	AUD	4.47	0.02	15-Apr-27	3.76	0.01	BKBM 3-mth	4.53	0.00	
NZD	4.75	4.53	3.62	4.14	NZD	4.45	0.02	15-May-28	3.83	0.00	1 year	3.90	-0.01	
EUR	3.25	3.06	2.38	2.45	GER	2.39	0.05	20-Apr-29	3.95	0.00	2 year	3.62	-0.02	
GBP	5.00	5.30	4.20	3.98	GBP	4.35	0.04	15-May-30	4.07	0.01	3 year	3.60	-0.02	
JPY	0.23	-0.03	0.51	0.96	JPY	0.96	-0.02	15-May-31	4.20	0.01	5 year	3.74	-0.02	
CAD	3.75	4.97	2.95	3.08	CAD	3.24	-0.01	15-May-32	4.31	0.01	7 year	3.93	-0.02	
								14-Apr-33	4.39	0.01	10 year	4.14	-0.02	
								15-May-34	4.45	0.02	15 year	4.37	-0.02	
								15-May-35	4.54	0.02				
								15-May-36	4.62	0.02				
								15-May-37	4.69	0.03				
								15-May-41	4.86	0.03				
								15-May-51	4.96	0.03				
								15-May-54	4.99	0.03				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates are as of: NZT 06:35														
Source: Bloomberg														

NZD exchange rates

31/10/2024 6:35 am		Prev. NY close
USD	0.5980	0.5973
GBP	0.4605	0.4589
AUD	0.9092	0.9104
EUR	0.5504	0.5521
JPY	91.63	91.60
CAD	0.8318	0.8311
CHF	0.5179	0.5180
DKK	4.1063	4.1190
FJD	1.3628	1.3621
HKD	4.6481	4.6417
INR	50.28	50.22
NOK	6.5513	6.5457
PKR	166.02	165.84
PHP	34.83	34.80
PGK	2.3599	2.3571
SEK	6.3776	6.3550
SGD	0.7904	0.7909
CNY	4.2554	4.2582
THB	20.16	20.16
TOP	1.3995	1.3846
VUV	72.47	72.21
WST	1.6322	1.6126
XPF	65.88	65.87
ZAR	10.5664	10.5529



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.85	1.15
3 Months	5.69	6.19
6 Months	13.26	14.33
9 Months	21.91	23.93
1 Year	30.18	33.18

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-1.74	-1.07
3 Months	1.98	3.23
6 Months	14.60	17.35
9 Months	32.51	37.65
1 Year	50.88	58.58

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