

Research Markets Today

5 December 2024

Events Round-Up

AU: GDP (q/q%), Q3: 0.3 vs. 0.5 exp.

CH: Caixin PMI services, Nov: 51.5 vs. 52.4 exp.

US: ADP employment change (k), Nov: 146 vs. 165 exp.

US: ISM services, Nov: 52.1 vs. 55.6 exp.

Good Morning

Global equities remained well supported with the S&P advancing to a fresh record high as investors looked ahead to comments from Fed Chair Powell. Stocks looked past economic data which revealed weaker than expected activity in the services sector. Treasury yields fell and the dollar is weaker against G10 currencies. The Korean won recovered after South Korean President Yoon lifted his order to impose martial law.

Brent crude prices are modestly lower and traded towards US\$73 per barrel. OPEC is expected to defer its proposed rise in production by three months.

The ISM services index was weaker than expected. It dropped to 52.1 which was below the lowest estimate on the Bloomberg panel. Policy uncertainty due to the election result and the threat of tariffs were quoted as key concerns for many of the respondents. The new orders and employment components both fell while prices paid remained firm. The final reading of the S&P services PMI was also released and was relatively strong at 56.1.

ADP reported a 146K increase in US private payrolls in November which was in line with the consensus. However, the relationship with official payrolls data, which is released on Friday night, has not been particularly strong. For example, the ADP measure rose by 233K in October, while official private payrolls fell by 28K.

US treasury yields drifted higher initially but reversed lower after the weaker than expected ISM data. 10-year yields fell to 4.20%, ~10bp below the intra-day high. 2-year yields dropped 5bp to 4.13%, the lowest level in four weeks.

European bond yields are little changed. The spread between French and German 10-year sovereign bonds remained steady as the French parliament begins debating the Government no-confidence vote.

In China, the Caixin services PMI fell to 51.5 in November, suggesting consumer demand remains subdued, despite recent measures to stimulate the economy.

Weaker than expected Q3 GDP in Australia sent AUD tumbling and contributed to a rally across Australia fixed income. The economy expanded 0.3% in the September quarter, below consensus estimates for 0.5%. AUD/USD fell more than 1% in the Asian session and weighed on the closely correlated NZD.

The US dollar followed treasury yields lower following the ISM data which contributed to a rebound in the Australasian currencies. NZD/USD dipped towards 0.5830 in offshore trade but has subsequently recovered. The rebound was matched by the AUD, but NZD/AUD remains higher, and above 0.9100.

There was a divergent performance between swaps and government bonds in the local session yesterday. An initial move higher in swap rates retraced following the weaker than expected Australian GDP data. The swap curve steepened with 2-year rates closing 5bp lower at 3.61% - and back at pre-RBNZ Monetary Policy Statement levels - while 10-year yields closed unchanged at 3.95%.

The government curve underperformed relative to swaps. 10-year bonds closed 3bp higher at 4.33% which saw swap spreads retrace towards the October and multi-year lows near -40bp. NZDM will offer NZ\$500 million of nominal NZGBs in the weekly tender today split across Apr-29 (\$200m), May-34 (\$250m) and Apr-37 (\$50m). It is the fourth consecutive week the 2029 maturity has been tendered.

After the strong rally yesterday, Australian 10-year government bond futures are 1bp lower in yield terms since the local close yesterday, and combined with the move in US treasuries, suggests a flat / modest downward bias, for NZ yields on the open.

Fed Chair Powell is speaking this morning (NZT) in a moderated discussion. The market looking for guidance to fine tune pricing ahead of the December FOMC. Otherwise, there is limited market moving economic data in the day ahead.

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Coming Up

		Period	Cons.	Prev.	NZT
US	Fed's Powell Speaks in Moderated Discussion				07:45
NZ	Volume of All Buildings (q/q%)	3Q	-0.6	-0.2	10:45
AU	Trade Balance	Oct	4500	5644	13:30
GE	Factory Orders (m/m%)	Oct	-2	4.2	20:00
US	Trade Balance (\$bn)	Oct	-75	-84	02:30
US	Initial Jobless Claims	30 Nov	215	213	02:30

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	% Year		Last	Net Day				
NZD	0.5866	-0.3	0.5829	0.5868	CHF	0.8829	-0.4		S&P 500	6,074	+0.4	32.9	Oil (Brent)	73.11	-0.7
AUD	0.6439	-0.7	0.6399	0.6451	SEK	10.907	-1.0		Dow	44,911	+0.5	24.0	Oil (WTI)	69.37	-0.8
EUR	1.0537	+0.3	1.0473	1.0544	NOK	11.021	-0.4		Nasdaq	19,683	+1.0	38.8	Gold	2651.8	+0.3
GBP	1.2719	+0.4	1.2630	1.2721	HKD	7.785	+0.0		Stoxx 50	4,919	+0.8	11.4	HRC steel	686.0	-0.6
JPY	150.06	+0.3	149.86	151.23	CNY	7.266	-0.3		FTSE	8,336	-0.3	11.0	CRB	286.0	+0.5
CAD	1.4069	-0.0			SGD	1.343	-0.2		DAX	20,232	+1.1	23.3	Wheat Chic.	545.8	-0.3
NZD/AUD	0.9110	+0.5			IDR	15,937	-0.1		CAC 40	7,303	+0.7	-0.4	Sugar	21.22	-0.7
NZD/EUR	0.5567	-0.5			THB	34.24	-0.3		Nikkei	39,276	+0.1	19.8	Cotton	72.82	+0.2
NZD/GBP	0.4612	-0.6			KRW	1,413	-1.1		Shanghai	3,365	-0.4	13.2	Coffee	304.2	+2.9
NZD/JPY	88.03	+0.1			TWD	32.43	-0.4		ASX 200	8,463	-0.4	19.8	WM powder	4005	+1.4
NZD/CAD	0.8253	-0.3			PHP	58.26	-0.6		NZX 50	12,897	-1.5	13.6	Australian Futures		
NZ TWI	69.43	-0.3						VIX Index	13.17	-1.0	+0.7	3 year bond	96.17	0.08	
Interest Rates										10 year bond			95.77	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	3.95	3.72	USD	4.20	-0.03	15-Apr-27	3.76	0.01	BKBM 1-mth	4.38	0.00		
AUD	4.35	4.42	3.87	4.27	AUD	4.26	-0.04	15-May-28	3.81	0.01	BKBM 3-mth	4.34	-0.02		
NZD	4.25	4.34	3.61	3.95	NZD	4.33	0.03	20-Apr-29	3.89	0.02	1 year	3.83	-0.04		
EUR	3.25	2.88	2.08	2.09	GER	2.06	0.01	15-May-30	4.00	0.03	2 year	3.61	-0.05		
GBP	4.75	5.30	4.11	3.81	GBP	4.25	0.01	15-May-31	4.12	0.03	3 year	3.57	-0.04		
JPY	0.23	-0.03	0.64	1.03	JPY	1.07	-0.02	15-May-32	4.22	0.03	5 year	3.64	-0.02		
CAD	3.75	4.97	2.89	2.91	CAD	3.10	-0.02	14-Apr-33	4.28	0.03	7 year	3.78	-0.01		
						NZ Inflation-Indexed Bonds			15-May-34	4.33	0.03	10 year	3.95	-0.00	
						Sep-30	2.23	0.00	15-May-35	4.41	0.03	15 year	4.15	-0.00	
						Sep-35	2.56	0.00	15-May-36	4.49	0.03				
						Sep-40	2.81	0.00	15-May-37	4.57	0.04				
									15-May-41	4.78	0.04				
									15-May-51	4.91	0.04				
									15-May-54	4.94	0.04				

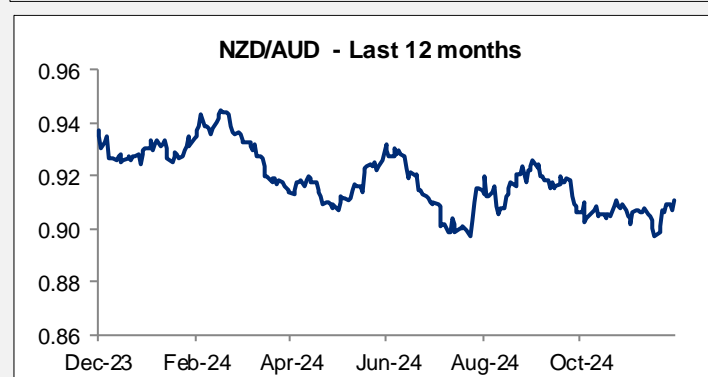
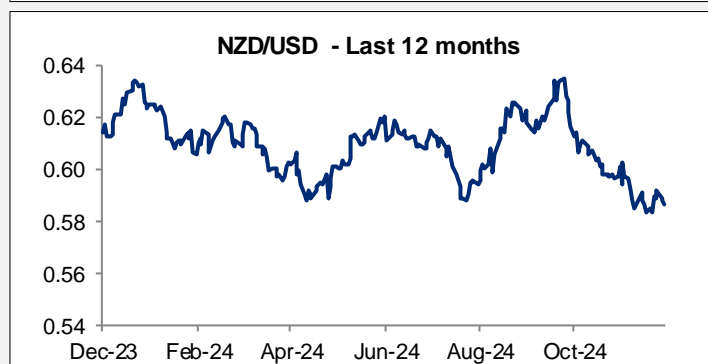
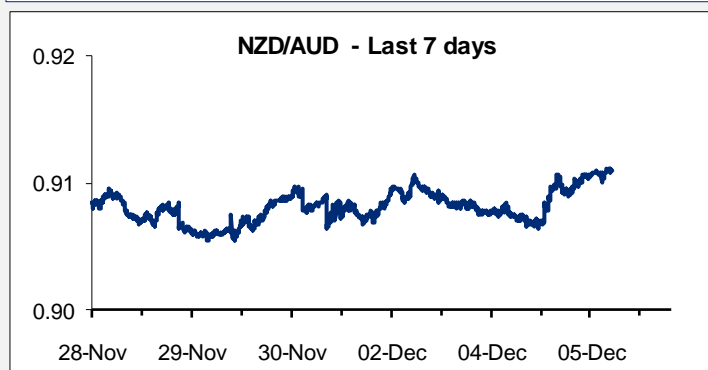
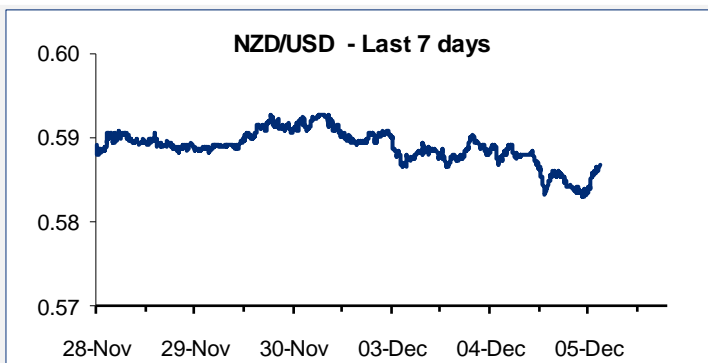
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:28

Source: Bloomberg

NZD exchange rates

5/12/2024	6:28 am	Prev. NY close
USD	0.5866	0.5881
GBP	0.4612	0.4641
AUD	0.9110	0.9067
EUR	0.5567	0.5596
JPY	88.03	87.98
CAD	0.8253	0.8274
CHF	0.5179	0.5212
DKK	4.1516	4.1736
FJD	1.3387	1.3424
HKD	4.5666	4.5771
INR	49.71	49.81
NOK	6.4652	6.5086
PKR	163.04	163.27
PHP	34.17	34.45
PGK	2.3343	2.3384
SEK	6.3978	6.4758
SGD	0.7876	0.7909
CNY	4.2623	4.2851
THB	20.14	20.22
TOP	1.3812	1.4059
VUV	70.94	72.00
WST	1.6115	1.6198
XPF	66.42	66.68
ZAR	10.6205	10.6540



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.34	2.74
3 Months	6.04	6.54
6 Months	15.34	16.55
9 Months	24.87	26.97
1 Year	33.60	36.60

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.17	2.09
3 Months	5.25	6.57
6 Months	17.95	20.85
9 Months	30.72	36.09
1 Year	42.49	50.90

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