

10 November 2021



## Events Round-Up

AU: NAB business conditions, Oct: 11 vs. 5 prev.  
NZ: Card spending total (m/m%), Oct: 9.5 vs. 1.6 prev.  
GE: ZEW survey expectations, Nov: 31.7 vs. 20.0 exp.  
US: NFIB small business optimism, Oct: 98.2 vs. 99.5 exp.  
US: PPI final demand (y/y), Oct: 8.6 vs. 8.6 exp.  
US: PPI ex food, energy (y/y%), Oct: 6.8 vs. 6.8 exp.

## Good Morning

Risk sentiment is weaker for no obvious reason, with US equities on track for a rare fall today while global bond markets show a broadly-based rally, sending the US 10-year rate down to the low 1.40s. Daily currency movements have been minimal apart from notable weakness in the NZD and AUD.

Newsflow has remained light but there has been a notable deterioration in risk appetite. The S&P500 is on track for its first fall in nine trading sessions, after reaching a fresh record high yesterday, currently down 0.4%, with Tesla stock again weighing on the index, down over 8%. The sector breakdown shows defensive sectors like Utilities, Real Estate and Consumer Staples outperforming.

Global rates show broadly based falls, with market commentary linking it to reports that Brainard could get the nod over Powell for the role of the Chair, but the softer risk appetite backdrop is likely a key factor as well. Fed Board Governor Brainard was reported to have been interviewed for the role of Chair. She is seen to be on the dovish side of the committee regarding monetary policy, possibly even more dovish than Powell, if that is possible, and she favours a tougher stance on big banks. Current Chair Powell's role expires in February, but the market has hitherto been expecting him to retain the Chairmanship while Brainard is promoted to the head the bank regulation role.

Rates are lower across the Treasuries curve, with a flattening bias, with 10-30 year rates down 7-8bps and the 2-year rate down 3bps, with the market further unwinding Fed hike bets from next year, less than two full hikes now priced in. The 10-year rate has traded down to 1.42%, its lowest level in about seven weeks. The real 10 year rate is down 8bps on the day to a record low of minus 1.21%. European 10-year rates are down about 5-6bps and the UK 10-year rate is down 3bps.

In the currency market, safe-havens have outperformed, with the USD, CHF and JPY the strongest over the past 24 hours, although most movements have been small. The NZD and AUD have been the outliers, down 0.5-0.6% over the past 24 hours and more than half of the fall coming overnight. While the weaker risk appetite backdrop can take some blame, weakness here might also be linked to ongoing concerns about the outlook for China.

Earlier this week the Fed published its semi-annual financial stability report and it warned that stresses in China's property sector and the financial sector's high leverage posed some risk to the US financial system, alongside broader contagion risk. Troubled property developer Evergrande will need to pay another \$148m in dollar-bond coupon payments by the end of today as another 30-day grace period expires after missing the initial payment deadline. Bloomberg reported some spillover of the property sector's debt woes into the investment grade bond market, with a particularly large 8-10bps selloff yesterday, following a 7bps selloff on Monday.

The NZD saw an overnight low of 0.7110 and has recovered a little to 0.7125. The AUD saw some support just above the 0.7360 mark. NZD/AUD has been oscillating around the 0.9650 mark and the NZD is broadly weaker on the crosses.

In US economic news, PPI inflation was as strong as expected in October, with the index for final demand surging 8.6% y/y and the ex food and energy index up 6.8%. The goods component tentatively showed signs of easing, with the 0.5% m/m increase the weakest since February, although still uncomfortably high. The data comes ahead of the more important CPI release tonight, expected to show annual headline inflation pushing up to a fresh high of 5.9% y/y, and core inflation of 4.3%. The NFIB small business survey showed optimism falling to a 7-month low and the inflation component rising to a fresh 35-year high. The only positive news in the survey was a lift in plans for capital expenditure.

In NZ, the value of electronic card transactions rose 9.5% m/m in October, with a 10.1% gain for the retail sector, both figures coming off a very low base when lockdown restrictions were more widespread. A further easing of restrictions in November adds to the case for a strong Q4 rebound, but there remains considerable uncertainty on

where underlying spending will settle in a COVID-endemic environment next year.

The domestic rates market saw a 2bps rise across most of the bond and swaps curve, although the 2-year swap rate rose by just 1bp to 2.20%.

In the day ahead, the US CPI data tonight have already been noted above, while during the local trading session China inflation data are released.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

## Coming Up

		Period	Cons.	Prev.	NZT
AU	Westpac consumer conf	Nov	104.6	12:30	
CH	CPI (y/y%)	Oct	1.4	0.7	14:30
CH	PPI (y/y%)	Oct	12.3	10.7	14:30
US	Initial jobless claims (k)	6-Nov	260	269	02:30
US	CPI (y/y%)	Oct	5.9	5.4	02:30
US	CPI ex food and energy (y/y%)	Oct	4.3	4.0	02:30

Source: Bloomberg, BNZ

Foreign Exchange						Equities				Commodities**					
Indicative overnight ranges (*)					Other FX		Major Indices				Price				
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.7126	-0.6	0.7110	0.7174	CHF	0.9112	-0.2		S&P 500	4,681	-0.5	31.8	Oil (Brent)	84.39	+1.2
AUD	0.7375	-0.6	0.7361	0.7432	SEK	8.567	-0.1		Dow	36,249	-0.5	24.3	Oil (WTI)	83.63	+2.1
EUR	1.1592	+0.0	1.1570	1.1608	NOK	8.519	+0.2		Nasdaq	15,882	-0.7	35.6	Gold	1831.9	+0.2
GBP	1.3566	+0.0	1.3524	1.3607	HKD	7.790	+0.0		Stoxx 50	4,345	-0.2	27.5	HRC steel	1805.0	+0.0
JPY	112.84	-0.3	112.74	113.11	CNY	6.393	+0.0		FTSE	7,274	-0.4	17.6	CRB	235.6	+0.2
CAD	1.2438	-0.0			SGD	1.347	-0.0		DAX	16,040	-0.0	22.5	Wheat Chic.	787.5	+0.8
NZD/AUD	0.9662	+0.1			IDR	14,250	-0.1		CAC 40	7,043	+0.2	32.0	Sugar	19.85	-0.3
NZD/EUR	0.6147	-0.6			THB	32.76	-0.5		Nikkei	29,285	-0.8	17.6	Cotton	117.56	+0.9
NZD/GBP	0.5253	-0.6			KRW	1,177	-0.5		Shanghai	3,507	+0.2	4.4	Coffee	207.5	+2.5
NZD/JPY	80.41	-0.9			TWD	27.75	-0.3		ASX 200	7,434	-0.2	17.2	WM powder	4100.0	+2.2
NZD/CAD	0.8863	-0.6			PHP	50.11	-0.1		NZX 50	13,091	+0.4	3.8	<b>Australian Futures</b>		
NZ TWI	75.75	-0.5											3 year bond	98.955	0.03
													10 year bond	98.25	0.06
Interest Rates						NZ Government Bonds				NZ Swap Yields					
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last		Last		Last				
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day									
USD	0.25	0.15	0.62	1.44	USD	1.42	-0.07	NZGB 5 1/2 04/15/23	1.59	0.00	1 year	1.59	0.01		
AUD	0.10	0.05	0.79	1.99	AUD	1.78	0.03	NZGB 0 1/2 05/15/26	2.27	0.02	2 year	2.20	0.01		
NZD	0.50	0.82	2.19	2.67	NZD	2.58	0.02	NZGB 0 1/4 05/15/28	2.42	0.02	5 year	2.62	0.02		
EUR	0.00	0.06	-0.36	0.09	GER	-0.30	-0.06	NZGB 1 1/2 05/15/31	2.53	0.02	7 year	2.66	0.02		
GBP	0.10	0.11	1.04	1.07	GBP	0.82	-0.03	NZGB 2 05/15/32	2.58	0.02	10 year	2.70	0.02		
JPY	-0.06	-0.09	0.00	0.11	JPY	0.06	0.00	NZGB 1 3/4 05/15/41	2.84	0.02	15 year	2.79	0.02		
CAD	0.25	0.49	1.43	2.04	CAD	1.58	-0.05	NZGB 2 3/4 05/15/51	2.91	0.02					

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

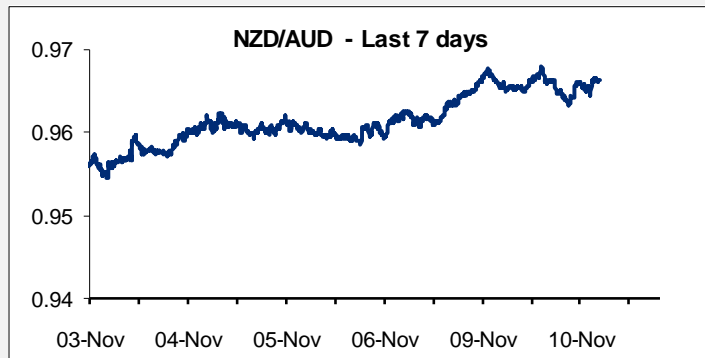
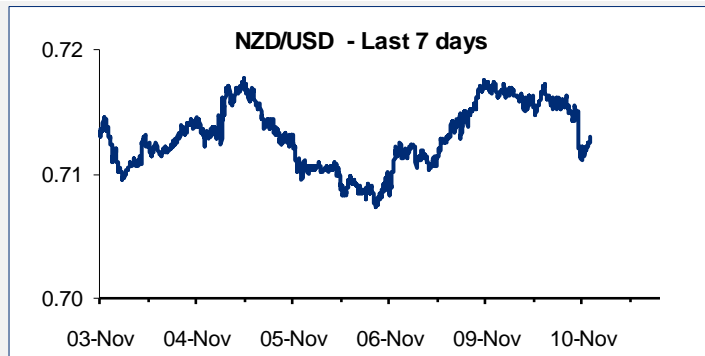
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 07:01

Source: Bloomberg

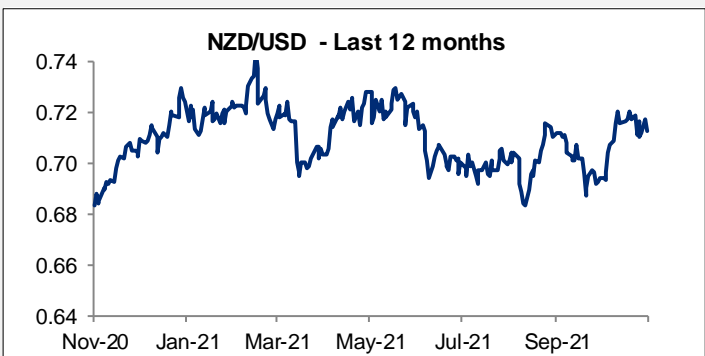
**NZD exchange rates**

10/11/2021 7:01 am		Prev. NY close
USD	0.7126	0.7167
GBP	0.5253	0.5284
AUD	0.9662	0.9655
EUR	0.6147	0.6185
JPY	80.41	81.15
CAD	0.8863	0.8917
CHF	0.6493	0.6546
DKK	4.5724	4.6009
FJD	1.4806	1.4894
HKD	5.5512	5.5820
INR	52.75	53.05
NOK	6.0703	6.0952
PKR	121.12	121.83
PHP	35.70	35.96
PGK	2.5039	2.5192
SEK	6.1046	6.1468
SGD	0.9600	0.9658
CNY	4.5555	4.5816
THB	23.37	23.69
TOP	1.5903	1.5994
VUV	78.71	79.31
WST	1.8080	1.8117
XPF	73.25	74.01
ZAR	10.7177	10.6920



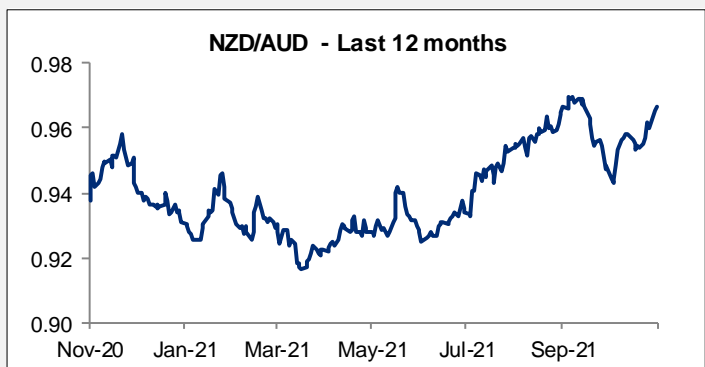
**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-2.92	-2.54
3 Months	-10.94	-10.44
6 Months	-29.51	-28.51
9 Months	-56.78	-54.82
1 Year	-88.96	-86.96



**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-5.35	-4.57
3 Months	-19.88	-18.80
6 Months	-45.00	-42.71
9 Months	-78.11	-74.11
1 Year	-114.00	-109.26



## Contact Details

### BNZ Research

**Stephen Toplis**  
Head of Research  
+64 4 474 6905

**Craig Ebert**  
Senior Economist  
+64 4 474 6799

**Doug Steel**  
Senior Economist  
+64 4 474 6923

**Jason Wong**  
Senior Markets Strategist  
+64 4 924 7652

**Nick Smyth**  
Senior Interest Rates Strategist  
+64 4 924 7653

### 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

### National Australia Bank

**Ivan Colhoun**  
Global Head of Research  
+61 2 9237 1836

**Alan Oster**  
Group Chief Economist  
+61 3 8634 2927

**Ray Attrill**  
Head of FX Strategy  
+61 2 9237 1848

**Skye Masters**  
Head of Fixed Income Research  
+61 2 9295 1196

#### Wellington

Foreign Exchange +800 642 222  
Fixed Income/Derivatives +800 283 269

#### New York

Foreign Exchange +1 212 916 9631  
Fixed Income/Derivatives +1 212 916 9677

#### Sydney

Foreign Exchange +61 2 9295 1100  
Fixed Income/Derivatives +61 2 9295 1166

#### Hong Kong

Foreign Exchange +85 2 2526 5891  
Fixed Income/Derivatives +85 2 2526 5891

#### London

Foreign Exchange +44 20 7796 3091  
Fixed Income/Derivatives +44 20 7796 4761

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