

Research Markets Today

1 December 2023

Events Round-Up

NZ: Dwelling consents (m/m%), Oct: 8.7 vs. -4.6% prev.
 NZ: ANZ activity outlook (net%), Nov: 26.3 vs. 23.1
 CH: Manufacturing PMI, Nov: 49.4 vs. 49.8 exp.
 CH: Non-manufacturing PMI, Nov: 50.2 vs. 50.9 exp.
 GE: Unemployment rate (%), Nov: X.X vs. 5.8 exp.
 EC: CPI (y/y%), Nov: 2.4 vs. 2.7 exp.
 EC: CPI core (y/y%), Nov: 3.6 vs. 3.9 exp.
 EC: Unemployment rate (%), Oct: 6.5 vs. 6.5 exp.
 CA: GDP (ann'ltd q/q%), Q3: -1.1 vs. 0.1 exp.
 US: Initial Jobless Claims, 25-Nov: 218 vs. 218 exp.
 US: Personal income (m/m%), Oct: 0.2 vs. 0.2 exp.
 US: Real personal spending (m/m%), Oct: 0.2 vs. 0.1 exp.
 US: PCE core deflator (m/m%), Oct: 0.2 vs. 0.2 exp.
 US: PCE core deflator (y/y%), Oct: 3.5 vs. 3.5 exp.
 US: Chicago PMI, Nov: 55.8 vs. 46 exp.
 US: Pending home sales (m/m%), Oct: -1.5 vs. -2.0 exp.

Good Morning

US equity markets were little changed in early afternoon trade and are consolidating the large gains made in November. Global bonds are higher in yield while the US dollar advanced. It was reported that OPEC+ members agreed to make an additional 1 million barrels a day of supply cuts. The agreement was in line with expectations and Brent crude prices were stable near US\$83 per barrel.

Chinese manufacturing and services PMIs for November were below consensus estimates indicating weakening economic momentum. The manufacturing PMI was 49.4, and points to activity contracting for the second consecutive month. The non-manufacturing PMI came in at 50.2 which is the lowest reading since the economy was impacted by Covid last December.

Eurozone CPI fell to 2.4% y/y in November, which was below 2.7% expectations, and is the slowest annual pace since July 2021. The softer print was well flagged following below consensus readings across the larger European economies. The drop in inflation has prompted investors to bring forward pricing of rate cuts by the European Central Bank. The market is now pricing a 25bps rate cut by April next year.

US real personal consumption rose 0.2% in October which was above 0.1% consensus but lower than the 0.3% average monthly increase in the Q3. The data suggests consumer spending lost momentum at the start of Q4. The US Federal Reserve's preferred inflation measure, the core PCE index increased 3.5% y/y in October, down from 3.7% the previous month. This was the lowest level in more than 2 years and was in line with consensus estimates.

US initial jobless were in line with expectations at 218k. Continuing claims, a proxy for people receiving unemployment benefits, have risen to their highest level since late 2021, which indicates that is harder for those who lose their jobs to find new employment.

US treasury yields moved higher across the curve. 10-year yields increased 7bps to 4.32%, rebounding off multi-week lows near 4.25% with US policymakers pushing back against the markets dovish interpretation on Fed policy. San Francisco Fed President Mary Daly said that she is not thinking about rate cuts, and it is too early to call an end to hikes. And New York Fed President Williams noted that monetary conditions are restrictive but should remain so for some time to bring inflation back to 2%.

In currency markets the US Dollar made broad based gains, particularly against European currencies. The 0.5% increase in the Dollar index trimmed its monthly losses to close to 3%. EUR/USD fell more than 0.5% in a move which gained momentum following the soft European inflation data.

NZD/USD had choppy price action in offshore trade and is marginally weaker against the US dollar. A dip towards 0.6120 proved short-lived. The NZD is stronger on the European crosses and NZDAUD is near the post RBNZ highs at 0.9320.

NZ fixed interest markets moved lower in yield during the local session yesterday reflecting international markets. 10-year government bond yields fell 4bps to 4.88%, just above the November lows. The weekly government bond tender saw decent demand with NZ\$1.5 billion in bids for the NZ\$500 million on offer. The May 2051 maturity achieved a bid-cover of close to 2 despite the reduced NZ\$50 million on offer.

Australian bond futures have moved ~10bps higher in yield since the local close yesterday suggesting an upward bias for NZGB yields on the open.

US manufacturing ISM is released this evening and is expected to rebound from the fall in October which wasn't replicated in the regional Fed surveys. Fed Chair Powell is speaking early tomorrow morning (NZT).

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ Consumer Confidence Index	Nov	88.1	10:00	
CH	Caixin China PMI Mfg	Nov	49.6	49.5	14:45
CA	Unemployment Rate	Nov	5.8	5.7	02:30
US	ISM Manufacturing	Nov	47.8	46.7	04:00
US	Fed's Powell Speaks in Fireside Chat				05:00

Source: Bloomberg, BNZ

Indicative overnight ranges (*)								Other FX			Equities				Commodities**		
	Last	% Day	Low	High		Last	% Day	Major Indices			Price		Australian Futures				
									Last	% Day	% Year		Last	Net Day			
NZD	0.6155	-0.0	0.6121	0.6181	CHF	0.8738	+0.0	S&P 500	4,539	-0.3	11.2	Oil (Brent)	82.83	-0.3			
AUD	0.6607	-0.2	0.6571	0.6650	SEK	10.458	+0.9	Dow	35,698	+0.8	3.2	Oil (WTI)	75.88	-2.5			
EUR	1.0898	-0.7	1.0893	1.0982	NOK	10.773	+1.1	Nasdaq	14,154	-0.7	23.4	Gold	2042.0	-0.3			
GBP	1.2624	-0.6	1.2604	1.2711	HKD	7.810	+0.1	Stoxx 50	4,382	+0.3	10.5	HRC steel	1044.0	+0.0			
JPY	148.05	+0.6	146.87	148.51	CNY	7.136	+0.1	FTSE	7,454	+0.4	-1.6	CRB	275.4	+0.6			
CAD	1.3579	-0.1			SGD	1.337	+0.3	DAX	16,215	+0.3	12.6	Wheat Chic.	594.5	+1.5			
NZD/AUD	0.9316	+0.2			IDR	15,510	+0.7	CAC 40	7,311	+0.6	8.5	Sugar	26.05	-3.0			
NZD/EUR	0.5648	+0.6			THB	35.23	+1.1	Nikkei	33,487	+0.5	18.6	Cotton	79.07	+0.6			
NZD/GBP	0.4876	+0.6			KRW	1,290	+0.2	Shanghai	3,030	+0.3	-4.3	Coffee	185.2	+7.3			
NZD/JPY	91.12	+0.6			TWD	31.27	+0.3	ASX 200	7,087	+0.7	-3.6	WM powder	3250	+0.5			
NZD/CAD	0.8358	-0.1			PHP	55.49	+0.2	NZX 50	11,330	+0.8	-2.8						
NZ TWI	71.54	+0.2															
Interest Rates																	
Rates		Swap Yields			Benchmark 10 Yr Bonds			NZ Government Bonds			NZ Swap Yields						
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last			Last					
USD	5.50	5.64	4.54	3.96	USD	4.33	0.07	15-Apr-25	5.23	0.00		1 year	5.57	-0.02			
AUD	4.35	4.37	4.36	4.79	AUD	4.41	0.05	15-Apr-27	4.78	-0.07		2 year	5.16	-0.07			
NZD	5.50	5.62	5.16	4.74	NZD	4.89	-0.03	15-May-28	4.75	-0.07		5 year	4.69	-0.06			
EUR	4.00	3.98	3.32	2.94	GER	2.45	0.02	15-May-31	4.83	-0.06		7 year	4.67	-0.04			
GBP	5.25	5.35	4.75	3.99	GBP	4.18	0.08	14-Apr-33	4.89	-0.03		10 year	4.74	-0.02			
JPY	-0.01	-0.03	0.21	0.92	JPY	0.67	0.00	15-May-41	5.13	-0.02		15 year	4.83	-0.03			
CAD	5.00	5.48	4.59	3.92	CAD	3.56	0.05	15-May-51	5.08	-0.02							

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

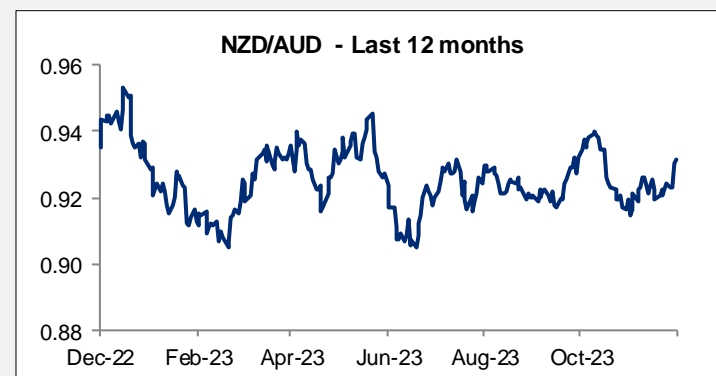
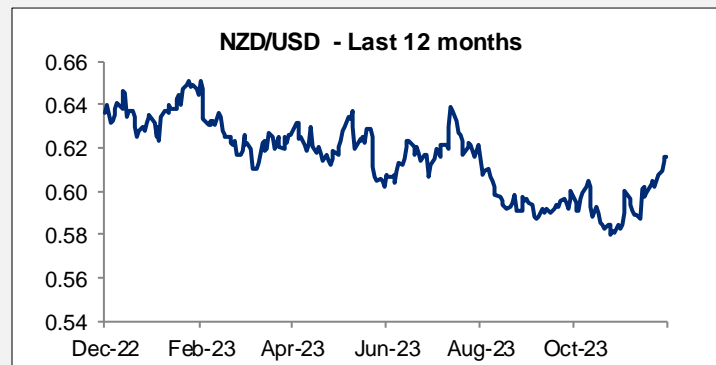
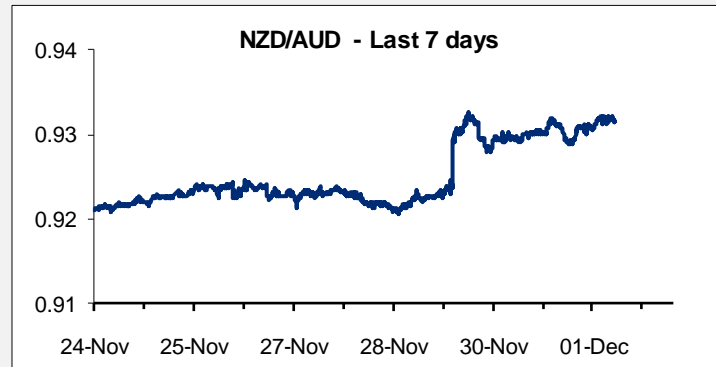
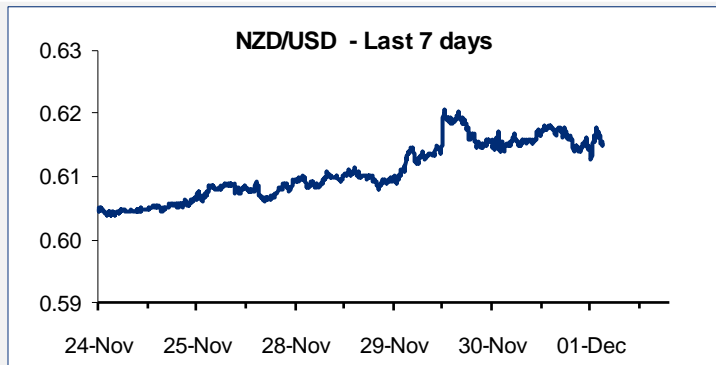
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:44

Source: Bloomberg

NZD exchange rates

1/12/2023	6:44 am	Prev. NY close
USD	0.6155	0.6156
GBP	0.4876	0.4849
AUD	0.9316	0.9303
EUR	0.5648	0.5612
JPY	91.12	90.64
CAD	0.8358	0.8365
CHF	0.5378	0.5380
DKK	4.2110	4.1840
FJD	1.3835	1.3827
HKD	4.8071	4.8043
INR	51.33	51.30
NOK	6.6308	6.5622
PKR	175.49	175.68
PHP	34.16	34.10
PGK	2.2924	2.2927
SEK	6.4366	6.3796
SGD	0.8227	0.8205
CNY	4.3919	4.3869
THB	21.66	21.43
TOP	1.4287	1.4366
VUV	73.95	74.01
WST	1.6761	1.6816
XPF	67.19	67.90
ZAR	11.6032	11.5430



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.73	1.04
3 Months	1.24	1.74
6 Months	-0.60	0.65
9 Months	-5.11	-3.11
1 Year	-11.76	-8.76

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.71	-8.00
3 Months	-23.49	-22.29
6 Months	-45.29	-42.05
9 Months	-62.93	-57.82
1 Year	-77.18	-69.36

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