

# Research Markets Today

5 December 2023

## Events Round-Up

NZ: Terms of trade, (q/q%), Q3: -0.6 vs. -2.2 exp.

AU: Home loans value (m/m%), Oct: 5.4 vs. 1.1 exp.

## Good Morning

Newsflow has been light to start the week and it has begun with a “risk-off” tone, a reversal of the recent trend. US Treasury highs have jumped higher, US equities are lower, and the USD is broadly stronger.

It has been a typically quiet start to the week and the market is taking a breather from the hefty moves we’ve seen recently, after embracing a view that the Fed has finished tightening and increasing the scope for easier policy next year. US Treasury yields drifted higher during the NZ trading session and pushed further upwards overnight. Since last week’s close, rates are up 10-12bps across most of the curve, with a smaller 6bps lift for the ultra-long bonds. The 10-year rate is currently up 10bps for the day to 4.29%, which is 5bps higher from the NZ close.

On the calendar, the market will be interested in the JOLTS labour market report and ISM services survey tonight and the key employment report at the end of the week, ahead of the FOMC meeting next week.

Higher rates have reduced risk appetite and the S&P500 is currently down 0.6% in early afternoon trading, eating into the substantial gain seen over the past four weeks.

The only remotely interesting development in financial markets is the price of gold rising to a record high, the spot price rising over 3% to USD2135 in early Asian trading before falling, and now down over 2% on the day to USD2025. Bitcoin rose to over USD40,000 for the first time since May 2022 and has extended gains overnight whilst gold has backtracked.

The USD has found a safe-haven bid and is broadly stronger. Weaker risk appetite sees the NZD and AUD near the bottom of the leaderboard, down in the order of 0.7-0.8% from last week’s close, to 0.6170 and 0.6620 respectively. In our weekly currency update yesterday, we noted that the NZD technical relative strength index had closed last week above the 70 mark, a signal of being overbought. The underperformance now sees it back below 70. Seasonally, December is the strongest month for

the NZD and we think the currency can settle into a 0.60-0.64 trading range over the near term, the familiar trading range it was in for six months before its lurch down in August.

While NZD/AUD has drifted up a touch to 0.9320, the NZD is flat to slightly weaker on the other key crosses. Against a backdrop of lower US Treasury yields, JPY has weakened the least against the USD and NZD/JPY has pushed down to 90.8.

Saudi’s energy Minister attempted to talk up the oil market, telling Bloomberg that he thought the agreed production cuts of 2.2m barrels per day would be delivered in full and the curbs on production can “absolutely” continue past March, with any possible phasing out depending on market conditions. There was little market reaction to the comments and Brent crude is down slightly on the day around USD78.50 per barrel.

NZ rates moved lower yesterday, playing catch-up to lower US yields during the Friday night session, although not to the same extent. NZGBs and swap rates were down 4-6bps across much of the curve. The 10-year NZGB closed down 5bps to 4.94%. Since the NZ close, the Australian 10-year bond future is little changed in yield terms, against a backdrop of higher US yields.

In the day ahead, the focus will be on the RBA policy meeting, where the market prices almost no chance of any rate hike, with the February meeting after the Q4 CPI report providing the next realistic opportunity for any further possible tightening. NZ building work data, Tokyo CPI, Australian current account, and China’s Caixin PMI services index are also released. Tonight sees the release of the US ISM services survey and the JOLTs labour market report, both of which could potentially move the market on any major surprise.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Vol. of building work (q/q%)	Q3	-0.5	-0.1	10:45
JN	Tokyo CPI (y/y%)	Nov	3.0	3.3	12:30
JN	Tokyo CPI ex-fr. fd, energy (y/y%)	Nov	3.7	3.8	12:30
AU	Current a/c balance (\$b)	Q3	3.2	7.7	13:30
CH	Caixin PMI services	Nov	50.7	50.4	14:45
AU	RBA cash rate target (%)	Dec	4.35	4.35	16:30
US	JOLTS job openings (m)	Oct	9.3	9.6	04:00
US	ISM services index	Nov	52.3	51.8	04:00

Source: Bloomberg, BNZ

Indicative overnight ranges (*)							Other FX			Equities				Commodities**		
	Last	% Day	Low	High			Last	% Day		Major Indices				Price		
										Last	% Day	% Year		Last	Net Day	
NZD	0.6170	-0.6	0.6158	0.6200	CHF	0.8727	+0.4			S&P 500	4,568	-0.6	12.2	Oil (Brent)	78.68	-0.3
AUD	0.6621	-0.8	0.6610	0.6664	SEK	10.451	+0.7			Dow	36,152	-0.3	5.0	Oil (WTI)	73.70	-0.5
EUR	1.0826	-0.5	1.0804	1.0881	NOK	10.840	+1.6			Nasdaq	14,177	-0.9	23.7	Gold	2027.7	-2.1
GBP	1.2624	-0.7	1.2604	1.2688	HKD	7.816	+0.0			Stoxx 50	4,415	-0.1	11.0	HRC steel	1041.0	+0.2
JPY	147.19	+0.3	146.46	147.25	CNY	7.143	+0.2			FTSE	7,513	-0.2	-0.6	CRB	270.8	-1.0
CAD	1.3534	+0.3			SGD	1.338	+0.3			DAX	16,405	+0.0	12.9	Wheat Chic.	618.0	+2.5
NZD/AUD	0.9319	+0.2			IDR	15,463	-0.1			CAC 40	7,333	-0.2	8.8	Sugar	25.86	+3.1
NZD/EUR	0.5699	-0.1			THB	35.28	+1.1			Nikkei	33,231	-0.6	19.4	Cotton	78.42	+0.0
NZD/GBP	0.4888	+0.0			KRW	1,304	-0.1			Shanghai	3,023	-0.3	-5.9	Coffee	179.0	-2.9
NZD/JPY	90.82	-0.4			TWD	31.38	-0.2			ASX 200	7,125	+0.7	-2.7	WM powder	3135	-0.5
NZD/CAD	0.8350	-0.4			PHP	55.33	-0.1			NZX 50	11,368	+0.0	-2.7	Australian Futures		
NZ TWI	71.78	-0.3												3 year bond	95.96	0.04
Interest Rates														10 year bond		
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	4.46	3.91	USD	4.29	0.09	15-Apr-25	5.23	0.00	1 year	5.58	-0.02			
AUD	4.35	4.37	4.32	4.73	AUD	4.45	-0.05	15-Apr-27	4.81	-0.06	2 year	5.17	-0.04			
NZD	5.50	5.63	5.17	4.79	NZD	4.94	-0.05	15-May-28	4.79	-0.05	5 year	4.72	-0.06			
EUR	4.00	3.96	3.15	2.83	GER	2.35	-0.01	15-May-31	4.88	-0.05	7 year	4.72	-0.06			
GBP	5.25	5.35	4.73	4.01	GBP	4.19	0.05	14-Apr-33	4.94	-0.05	10 year	4.79	-0.06			
JPY	-0.01	-0.03	0.20	0.92	JPY	0.70	0.00	15-May-41	5.19	-0.04	15 year	4.89	-0.06			
CAD	5.00	5.47	4.53	3.85	CAD	3.48	0.06	15-May-51	5.14	-0.04						

\* 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 06:48

Source: Bloomberg

**NZD exchange rates**

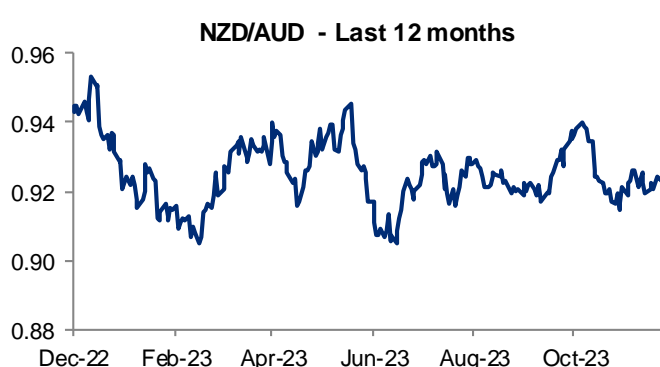
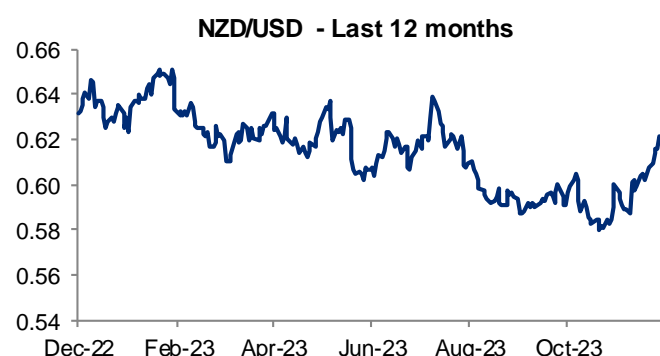
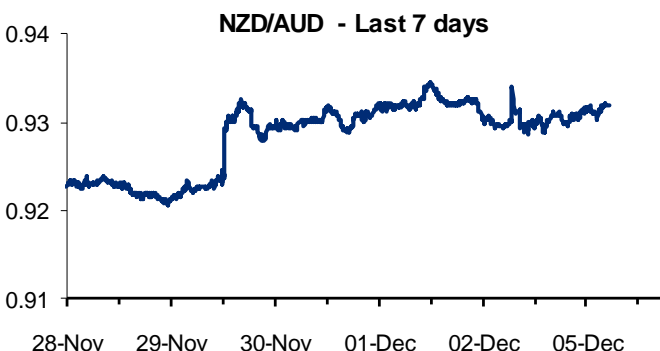
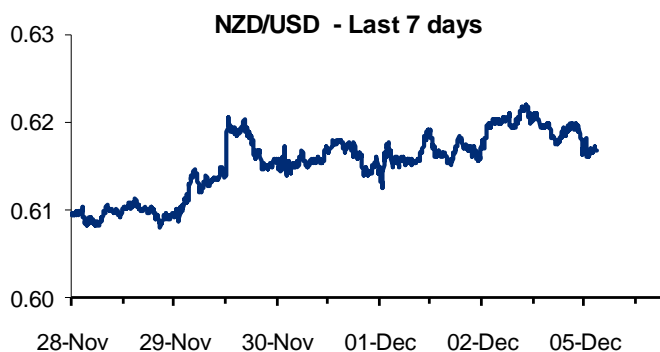
<b>5/12/2023</b>	<b>6:49 am</b>	<b>Prev. NY close</b>
USD	0.6170	0.6209
GBP	0.4888	0.4885
AUD	0.9319	0.9302
EUR	0.5699	0.5705
JPY	90.82	91.16
CAD	0.8350	0.8380
CHF	0.5385	0.5397
DKK	4.2493	4.2539
FJD	1.3760	1.3969
HKD	4.8222	4.8520
INR	51.44	51.72
NOK	6.6883	6.6261
PKR	175.61	176.95
PHP	34.14	34.41
PGK	2.2988	2.3030
SEK	6.4483	6.4413
SGD	0.8255	0.8280
CNY	4.4072	4.4261
THB	21.56	21.75
TOP	1.4322	1.4500
VUV	73.78	74.40
WST	1.6724	1.6913
XPF	67.78	67.98
ZAR	11.6196	11.5811

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	0.78	1.13
3 Months	1.22	1.72
6 Months	-1.04	0.04
9 Months	-7.15	-5.14
1 Year	-15.59	-12.59

**NZD/AUD Forward points**

	<b>BNZ buys NZD</b>	<b>BNZ Sells NZD</b>
1 Month	-9.58	-8.85
3 Months	-23.92	-22.71
6 Months	-45.74	-42.73
9 Months	-64.70	-59.30
1 Year	-80.21	-72.12



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