

# Research Markets Today

6 November 2023

## Events Round-Up

AU: Retail Sales Ex Inflation (%), 3Q: 0.2 vs. -0.3 exp.  
CH: Caixin China PMI Services, Oct: 50.4 vs 51 exp.  
EC: Unemployment Rate (%), Sep: 6.5 vs. 6.4 exp.  
CA: Unemployment Rate, (%) Oct: 5.7 vs. 5.6 exp.  
US: Change in Nonfarm Payrolls (k), Oct: 150 vs. 180 exp.  
US: Unemployment Rate (%), Oct: 3.9 vs 3.8 exp.  
US: Average Hourly Earnings (m/m%), Oct: 0.2 vs. 0.3 exp.  
US: Average Hourly Earnings (y/y%), Oct: 4.1 vs 4.0 exp.  
US: ISM Services Index, Oct: 51.8 vs. 53.0 exp.

## Good Morning

US nonfarm payrolls undershot expectations contributing to a further rally across global bond markets. 10-year US treasury yields fell 9bps on Friday and closed at 4.57%, having fallen 30bps during the week. Risk sensitive assets performed well with the S&P up 1%, taking its weekly advance to almost 6%, which was the largest since June last year. Investors are increasingly confident that the tightening cycle by global central banks is complete. The US dollar lost ground aligned with the pullback in treasury yields and positive risk sentiment.

Nonfarm payrolls increased 150k in October. This was below consensus estimates of 180k and there were downward revisions of 101k for the previous two months. Manufacturing payrolls fell 35k, which can largely be attributed to striking autoworkers, and will reverse in November. The unemployment rate increased to 3.9%, which was marginally higher expected. It has now increased 0.5% from the cyclical lows in April with a rebound in immigration contributing to an expanding labour force. Average hourly earnings increased 0.2% m/m and 4.1% y/y which the smallest increase since mid-2021.

The US services sector grew at a slower pace in October. The services PMI, published by the Institute for Supply Management (ISM), fell to a 5-month low of 51.8 which was below consensus estimates for a 53 reading. The ISM's manufacturing index had slipped further into contractionary territory earlier last week. The PMIs are pointing towards a decline in US economic activity.

The recent data reduces the odds of a rate hike at the December FOMC though the US Federal Reserve still has

another month of data including two CPI reports ahead of the meeting. Market pricing overwhelmingly favours the Fed remaining on hold in December.

Canadian labour market data was also soft relative to expectations. The economy added 18k jobs in October and the unemployment rate increased to 5.7% from 5.6%. The data reinforced expectations that the Bank of Canada has reached its terminal policy rate.

Global bond markets ended last week with a further move lower in yield. The series of weaker than expected US economic reports have contributed to a large rally across US treasuries. US 2-year yields fell 15bps to 4.84% while 10-year bonds reached lows near 4.5% before rebounding to close down 9bp at 4.57%. The 2y/10 curve reversed some of the previous day's move and bull steepened.

There were some outsized moves in currency markets with the US dollar under pressure after the payrolls data. The services ISM contributed to a further leg lower with the dollar index falling close to 1%. EUR/USD traded to highs just below 1.0750, 2 big figures above the weekly lows. The Canadian dollar, while gaining against the US dollar, was weak on the cross rates while the defensive pairings, JPY and CHF, also underperformed amid the risk rally.

NZD/USD was close to the top of the currency leaderboard rallying 1.6% in the offshore session. NZD/USD made highs near 0.6000. The final election results, which revealed that National will need to rely on the support of NZ First as well as the ACT party failed to have any impact on the currency. The NZD outperformed on the cross rates. NZD/AUD moved higher and traded back above 0.9200.

NZ government bond yields ended marginally lower in yield with a flattening bias in the local session on Friday. 10-year bond yields fell 2bps to 5.23%. Interest rate swaps made similar incremental moves lower in yield with the curve flattening slightly. Australian bond futures are about 6bps lower in yield from the local close on Friday, and combined with the move in US treasuries, suggest NZGBs will open lower in yield.

There is no local data today and the week ahead is largely second-tier data. One of the key events will be the Reserve Bank of Australia rates decision on Tuesday.

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Coming Up

		Period	Cons.	Prev.	NZT
GE	Factory Orders (m/m%)	Sep	-2.2	3.9	20:00

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	0.5998	+1.7	0.5904	0.6001	CHF	0.8988	-0.8		S&P 500	4,358	+0.9	15.6	Oil (Brent)	84.89	-2.3
AUD	0.6514	+1.2	0.6434	0.6518	SEK	10.897	-2.0		Dow	34,061	+0.7	5.1	Oil (WTI)	80.51	-2.4
EUR	1.0729	+1.0	1.0620	1.0747	NOK	11.045	-1.1		Nasdaq	13,478	+1.4	28.7	Gold	1999.2	+0.3
GBP	1.2380	+1.5	1.2186	1.2390	HKD	7.824	-0.0		Stoxx 50	4,175	+0.1	13.2	HRC steel	873.0	-1.0
JPY	149.38	-0.7	149.21	150.43	CNY	7.275	-0.5		FTSE	7,418	-0.4	1.1	CRB	281.8	-0.2
CAD	1.3657	-0.6			SGD	1.354	-0.8		DAX	15,189	+0.3	12.8	Wheat Chic.	599.3	+1.1
NZD/AUD	0.9208	+0.5			IDR	15,728	-0.8		CAC 40	7,048	-0.2	9.8	Sugar	27.77	+1.1
NZD/EUR	0.5590	+0.7			THB	35.57	-1.2		Nikkei	31,950	+1.1	15.5	Cotton	79.62	-0.2
NZD/GBP	0.4845	+0.2			KRW	1,322	-1.5		Shanghai	3,031	+0.7	-1.3	Coffee	170.9	+3.4
NZD/JPY	89.59	+1.0			TWD	32.28	-0.1		ASX 200	6,978	+1.1	1.2	WM powder	3030	-2.4
NZD/CAD	0.8191	+1.1			PHP	56.08	-0.9		NZX 50	11,119	+0.7	-1.0	<b>Australian Futures</b>		
NZ TWI	70.64	+0.9											3 year bond	95.7	0.03
<b>Interest Rates</b>													10 year bond	95.32	0.03
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	4.71	4.22	USD	4.57	-0.09	15-Apr-25	5.41	0.00	1 year	5.66	0.00		
AUD	4.10	4.35	4.45	4.94	AUD	4.72	-0.07	15-Apr-27	5.06	0.03	2 year	5.37	0.01		
NZD	5.50	5.63	5.37	5.15	NZD	5.23	-0.00	15-May-28	5.06	0.01	5 year	5.02	0.01		
EUR	4.00	3.96	3.50	3.15	GER	2.65	-0.07	15-May-31	5.19	0.00	7 year	5.05	-0.00		
GBP	5.25	5.37	4.83	4.15	GBP	4.29	-0.09	14-Apr-33	5.23	-0.00	10 year	5.15	-0.02		
JPY	-0.01	-0.03	0.29	1.10	JPY	0.93	0.00	15-May-41	5.44	-0.00	15 year	5.26	-0.01		
CAD	5.00	5.55	4.83	4.20	CAD	3.74	-0.11	15-May-51	5.37	-0.00					

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

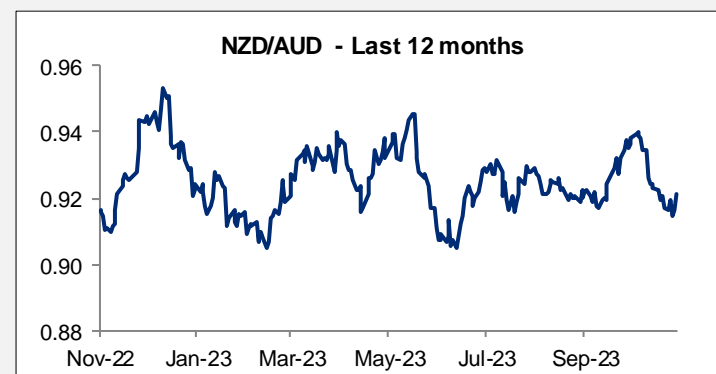
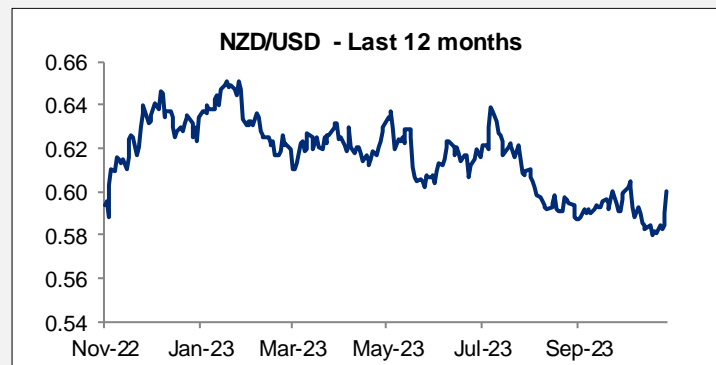
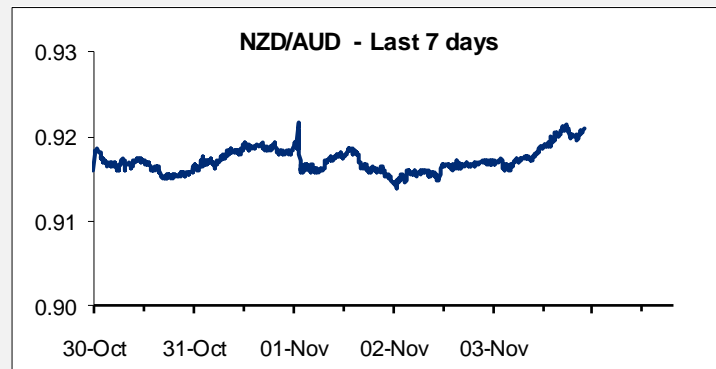
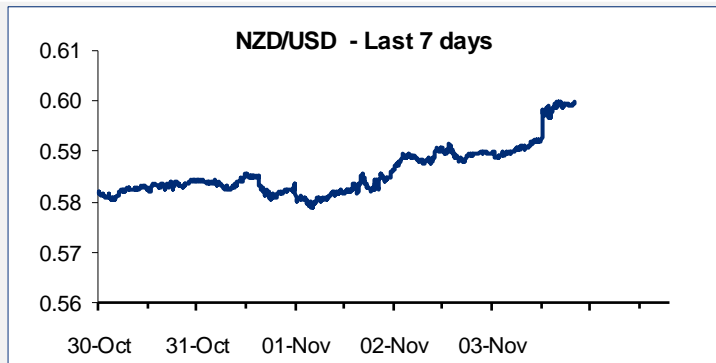
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates at NY close

Source: Bloomberg

**NZD exchange rates**

5/11/2023	NY close	Prev. NY close
USD	0.5998	0.5899
GBP	0.4845	0.4834
AUD	0.9208	0.9168
EUR	0.5590	0.5554
JPY	89.59	88.75
CAD	0.8191	0.8105
CHF	0.5391	0.5344
DKK	4.1705	4.1451
FJD	1.3582	1.3567
HKD	4.6931	4.6159
INR	49.95	49.11
NOK	6.6245	6.5852
PKR	170.57	167.18
PHP	33.65	33.47
PGK	2.2264	2.1889
SEK	6.5360	6.5586
SGD	0.8123	0.8051
CNY	4.3638	4.3147
THB	21.42	21.19
TOP	1.4207	1.4082
VUV	73.18	72.64
WST	1.6614	1.6368
XPF	67.14	66.31
ZAR	10.9526	10.8666



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.13	0.58
3 Months	1.09	2.04
6 Months	0.44	3.45
9 Months	-4.06	2.67
1 Year	-8.62	-3.63

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.76	-7.78
3 Months	-26.02	-23.84
6 Months	-48.38	-42.34
9 Months	-68.68	-55.57
1 Year	-80.70	-68.81

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