

Research Markets Today

8 December 2023

Events Round-Up

AU: Trade balance (\$b), Oct: X vs. 7.5 exp.
 CH: Exports (USD, y/y%), Nov: 0.5 vs. 0.0 exp.
 CH: Imports (USD, y/y%), Nov: -0.6 vs. 3.9 exp.
 GE: Industrial production (m/m%), Oct: -0.4 vs. 0.2 exp.
 US: Initial Jobless Claims (k), Dec 2: 220 vs 220 exp.

Good Morning

US equity markets gained, and treasury yields retraced from an earlier move higher as investors look ahead to key data on the US labour market. The US dollar was broadly weaker, and the yen advanced to its strongest level since August following hawkish comments by Japanese policy makers. Oil prices were little changed after touching a five-month low earlier in the week with the market unconvinced that OPEC+ production will be sufficient to boost prices.

German industrial production fell for the fifth consecutive month and follows weak factory orders yesterday. Industrial production fell 0.4% m/m compared with consensus estimates for a 0.2% gain. The German economy is struggling to gain traction amid soft global demand. The economy contracted 0.1% q/q in Q3 and is forecast to record another modest decline in the December quarter.

US initial jobless were in line with expectations at 220k. Continuing claims, a proxy for people receiving unemployment benefits, pulled back but remain elevated. The levels of continuing claims suggest it is harder to find new employment for those who have lost their jobs. This aligns with the Conference Board consumer confidence survey where a rising proportion of respondents note that jobs are becoming harder to get.

The yen strengthened and JGB yields moved sharply higher following Bank of Japan (BOJ) governor Ueda's semi-annual testament to parliament where he discussed potential exit options from the bank's large-scale stimulus and negative interest rates. Yields on 10-year JGBs increased by 12bps to 0.75%, the largest one day move in a year and market pricing indicated a higher chance the BOJ will end its negative interest rate policy later this month. A 30-year JGB auction yesterday had the lowest bid-cover ratio since 2015.

US treasury yields moved higher in early European trade aligned with the move in JGBs. 10-year treasury yields reached session highs of 4.18% but have since retraced towards 4.12%. 2-year treasury yields are little changed near 4.58% as the market consolidates recent large falls in yield ahead of the US payrolls report this evening.

In currency markets the US Dollar made broad based losses. The dollar index fell 0.5% with the yen strength having the largest impact. USD/JPY has fallen more than 2.5% to 143.50 which may have been exacerbated by large speculative short yen positioning. The NZD and AUD were among the stronger performers within the G10 while European currencies only made modest gains against the dollar. NZD/USD traded to a high near 0.6170 having recovered off the weekly lows reached yesterday afternoon near 0.6115. NZD/JPY fell to 88.90 and NZD/AUD is marginally lower at 0.9350.

NZ fixed interest markets were little changed in the local session yesterday underperforming on a cross market basis against the US and Australia. 10-year government bond yields closed at 4.83%, unchanged from the previous day, while short end bond yields increased 2-3bps.

The weekly government bond tender saw NZ\$1.2 billion in bids for the NZ\$500 million on offer. The April 2027 maturity was offered for the first time since October and received tepid demand with a 1.4 bid-cover ratio. There was stronger appetite for the May 2031 and April 2037 maturities which achieved bid-cover ratios above 3.

Australian bond futures are little changed since the local close yesterday suggesting a limited directional bias for NZGB yields on the open.

The focus into the end of the week will be the US labour market data. Non-farm payrolls are expected to increase 185k underpinned by a rebound associated with auto workers returning from strike. Consensus estimates are for the unemployment rate to remain unchanged at 3.9%. Michigan consumer sentiment should improve given falling gas prices and the rally in US equities while 5 to 10-year inflation expectation, which unexpectedly rose to 3.2% in November, is expected to retrace.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Mfg Activity Volume QoQ	3Q	2.9	10:45	
JN	Labor Cash Earnings YoY	Oct	1	1.2	12:30
US	Change in Nonfarm Payrolls	Nov	185	150	02:30
US	Unemployment Rate	Nov	3.9	3.9	02:30
US	Average Hourly Earnings MoM	Nov	0.3	0.2	02:30
US	Average Hourly Earnings YoY	Nov	4	4.1	02:30
US	U. of Mich. Sentiment	Dec P	62	61.3	04:00
US	U. of Mich. 5-10 Yr Inflation	Dec P	3.1	3.2	04:00
CH	CPI YoY	Nov	-0.2	-0.2	14:30
CH	PPI YoY	Nov	-2.8	-2.6	14:30

Source: Bloomberg, BNZ

								Equities				Commodities**			
Indicative overnight ranges (*)					Other FX			Major Indices				Price			
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day	
NZD	0.6171	+0.6	0.6120	0.6173	CHF	0.8747	-0.0	S&P 500	4,586	+0.8	16.6	Oil (Brent)	73.78	-0.7	
AUD	0.6601	+0.8	0.6533	0.6602	SEK	10.394	-0.8	Dow	36,103	+0.2	7.5	Oil (WTI)	69.01	-0.6	
EUR	1.0806	+0.4	1.0755	1.0807	NOK	10.874	-1.0	Nasdaq	14,334	+1.4	30.8	Gold	2024.0	-0.3	
GBP	1.2594	+0.3	1.2546	1.2595	HKD	7.813	+0.0	Stoxx 50	4,474	-0.2	14.1	HRC steel	1070.0	+0.8	
JPY	144.03	-2.2	143.80	146.67	CNY	7.151	-0.1	FTSE	7,514	-0.0	0.3	CRB	259.7	-2.5	
CAD	1.3598	+0.0			SGD	1.338	-0.3	DAX	16,629	-0.2	16.6	Wheat Chic.	641.0	+1.3	
NZD/AUD	0.9349	-0.2			IDR	15,515	+0.1	CAC 40	7,429	-0.1	11.5	Sugar	22.92	-0.3	
NZD/EUR	0.5711	+0.1			THB	35.18	-0.0	Nikkei	32,858	-1.8	19.2	Cotton	82.74	+3.8	
NZD/GBP	0.4900	+0.3			KRW	1,325	+0.9	Shanghai	2,966	-0.1	-7.2	Coffee	177.9	+1.5	
NZD/JPY	88.88	-1.7			TWD	31.49	+0.1	ASX 200	7,173	-0.1	0.0	WM powder	3150	+0.0	
NZD/CAD	0.8391	+0.6			PHP	55.30	+0.0	NZX 50	11,497	+0.3	-1.0	Australian Futures			
NZ TWI	71.83	+0.2										3 year bond	96.07	-0.04	
Interest Rates												10 year bond	95.72	-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	4.39	3.73	USD	4.12	0.02	15-Apr-25		5.23	-0.00	1 year	5.57	-0.02	
AUD	4.35	4.35	4.16	4.54	AUD	4.34	0.06	15-Apr-27		4.78	0.01	2 year	5.18	-0.02	
NZD	5.50	5.63	5.18	4.66	NZD	4.82	-0.01	15-May-28		4.74	0.01	5 year	4.66	0.02	
EUR	4.00	3.95	3.06	2.67	GER	2.19	-0.01	15-May-31		4.79	0.00	7 year	4.62	0.01	
GBP	5.25	5.35	4.60	3.79	GBP	3.97	0.03	14-Apr-33		4.82	-0.01	10 year	4.66	-0.01	
JPY	-0.01	-0.03	0.25	0.97	JPY	0.76	0.12	15-May-41		5.08	-0.01	15 year	4.74	-0.02	
CAD	5.00	5.45	4.43	3.66	CAD	3.29	0.01	15-May-51		5.03	-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 06:37

Source: Bloomberg

NZD exchange rates

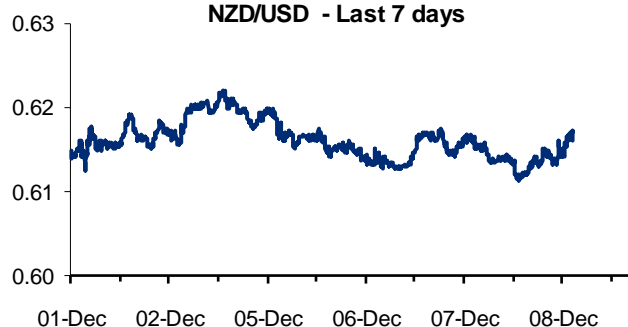
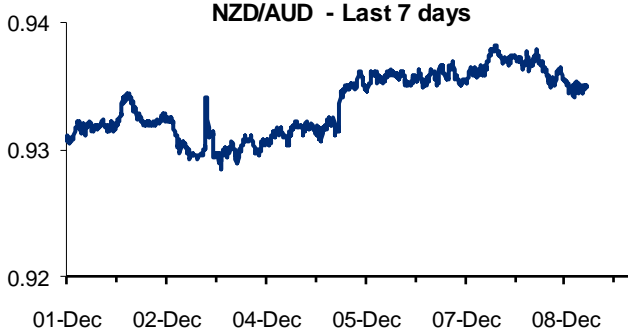
8/12/2023	6:38 am	Prev. NY close
USD	0.6171	0.6138
GBP	0.4900	0.4887
AUD	0.9349	0.9372
EUR	0.5711	0.5702
JPY	88.88	90.42
CAD	0.8391	0.8343
CHF	0.5398	0.5370
DKK	4.2575	4.2517
FJD	1.3858	1.3899
HKD	4.8214	4.7945
INR	51.44	51.15
NOK	6.7106	6.7382
PKR	175.33	174.40
PHP	34.13	33.95
PGK	2.2983	2.2860
SEK	6.4143	6.4310
SGD	0.8254	0.8238
CNY	4.4132	4.3952
THB	21.71	21.58
TOP	1.4425	1.4405
VUV	74.57	73.90
WST	1.6835	1.6786
XPF	67.65	67.42
ZAR	11.5801	11.6381

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.85	1.17
3 Months	1.34	1.84
6 Months	-1.68	-0.12
9 Months	-8.81	-5.15
1 Year	-17.65	-14.01

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.78	-8.03
3 Months	-23.99	-22.64
6 Months	-49.32	-45.55
9 Months	-72.51	-64.94
1 Year	-91.93	-82.75

NZD/USD - Last 7 days**NZD/AUD - Last 7 days****NZD/USD - Last 12 months****NZD/AUD - Last 12 months**

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