

Research Markets Today

9 November 2023

Events Round-Up

NZ: RBNZ 2-yr inflation expect. (%), Q4: 2.76 vs. 2.83 prev.

Good Morning

Newsflow remains light with modest changes in pricing across equities, bonds and currencies, as the market shows signs of consolidation following last week's significant moves.

The key market mover has been lower oil prices, with Brent crude down 2½% for the day after yesterday's 4.2% drop, seeing it trade below USD80 per barrel for the first time since July. When prices were above USD90 the narrative was very tight market conditions, with record demand and tight supplies leading to projections of falling inventories. The focus at the moment is apparently weaker demand, led by China's tepid economy, while Russian export shipments are running near a four-month high, according to Bloomberg tracking data.

Lower oil prices have supported a bond market rally, led by the long end, with 10-year rates down 4-5bp across Europe and the US 10-year Treasury yield down a few bps to 4.53%, with the market eyeing up the 4.48% low in the aftermath of last week's non-farm payrolls report. The curve is slightly flatter, with the 2-year rate little changed on the day.

Fed Chair Powell gave some opening remarks at a Fed Research Conference, but he didn't comment on the outlook for Fed policy. But he will be speaking again on a panel at an IMF conference in just over 24 hours. Soon after we go to print today, NY Fed President Williams will be delivering the keynote address at the Fed Research Conference.

The economic calendar has been devoid of new releases with the only snippet we could find being a five-member German council of economic experts that advise Chancellor Scholz slashing their forecast for GDP next year by almost half to just 0.7%, following an expected 0.4% contraction this year. The council noted a sluggish recovery in the global economy, especially in China, being a drag on German exports.

Currency markets show only modest movements but at the margin, commodity currencies are slightly weaker

overall. The NZD has been range bound, consolidating between about 0.5910 and 0.5940. The AUD has consolidated just over 0.64 and NZD/AUD continues to consolidate its post-RBA gains and trades at 0.9230. The yen is on the weak side of the ledger, with USD/JPY up to 150.90 and NZD/JPY nudging up to 89.3. NZD/GBP and NZD/EUR are a touch softer.

Global forces sent NZ rates lower from the open yesterday, with lower long-term rates led by the swaps curve, with 5 and 10-year rates down 11bps and 13bps respectively, the latter closing the day at a 7-week low of 4.97%. The 2s10s curve flattened notably, with 2-year swap down "only" 5bps to 5.26%, its lowest level since early June. The sharp fall in rates over the past week could soon see some downward pressure on fixed mortgage rates, a reversal of the recent trend.

NZGBs didn't keep pace with the fall in swap yields but still managed a 9-10bps fall from 5-years out, seeing the 10-year rate close at 5.10%, extending its fall over the six trading days of November to 46bps. There was no market reaction to the RBNZ survey of expectations which showed 2-year ahead inflation expectations down to a two-year low of 2.76%, although when rounded to 1 decimal place, the 2.8% figure has been unchanged over the past few quarters, playing to the sticky inflation narrative.

Finally, a story which will get our agricultural economist excited, the FT reported that US beef prices have climbed to record highs, as the western US faces the worst dry spell seen in 1,200 years and more than a third of the lower 48 states are still in drought.

In the day ahead the calendar remains light, with China inflation data and US jobless claims. Overnight, ECB President Lagarde will be speaking.

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Coming Up

		Period	Cons.	Prev.	NZT
CH	CPI (y/y%)	Oct	-0.1	0	14:30
CH	PPI (y/y%)	Oct	-2.7	-2.5	14:30
US	Initial jobless claims (k)	4-Nov	219	217	02:30
EC	ECB's Lagarde speaks				06:30

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	0.5920	-0.3	0.5911	0.5940	CHF	0.8995	-0.1	S&P 500	4,364	-0.3	14.0	Oil (Brent)	79.35	-2.7
AUD	0.6411	-0.4	0.6407	0.6444	SEK	10.896	-0.2	Dow	34,034	-0.4	2.6	Oil (WTI)	75.10	-2.9
EUR	1.0705	+0.0	1.0659	1.0716	NOK	11.190	-0.0	Nasdaq	13,601	-0.3	28.1	Gold	1958.8	-0.7
GBP	1.2289	-0.1	1.2242	1.2301	HKD	7.816	-0.0	Stoxx 50	4,178	+0.6	11.7	HRC steel	892.0	+0.8
JPY	150.92	+0.4	150.60	150.99	CNY	7.275	-0.1	FTSE	7,402	-0.1	1.3	CRB	275.7	-2.2
CAD	1.3809	+0.3			SGD	1.356	+0.1	DAX	15,230	+0.5	11.3	Wheat Chic.	609.3	+2.2
NZD/AUD	0.9234	+0.1			IDR	15,650	+0.1	CAC 40	7,034	+0.7	9.2	Sugar	27.34	-0.9
NZD/EUR	0.5530	-0.3			THB	35.53	-0.1	Nikkei	32,166	-0.3	16.1	Cotton	75.03	-1.9
NZD/GBP	0.4817	-0.2			KRW	1,310	+0.2	Shanghai	3,052	-0.2	0.1	Coffee	172.5	+1.8
NZD/JPY	89.34	+0.1			TWD	32.25	+0.1	ASX 200	6,995	+0.3	-0.1	WM powder	3050	+1.3
NZD/CAD	0.8175	+0.0			PHP	56.03	-0.2	NZX 50	11,151	-0.6	0.1	Australian Futures		
NZ TWI	69.99	-0.2										3 year bond	95.83	0.09
												10 year bond	95.48	0.09

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	Last	Last			
USD	5.50	5.63	4.77	4.17	USD	4.54	-0.03	15-Apr-25	5.33	-0.04	1 year	5.61	-0.03
AUD	4.35	4.41	4.41	4.81	AUD	4.58	-0.11	15-Apr-27	4.95	-0.07	2 year	5.26	-0.05
NZD	5.50	5.63	5.26	4.97	NZD	5.10	-0.10	15-May-28	4.94	-0.09	5 year	4.86	-0.11
EUR	4.00	3.97	3.53	3.11	GER	2.62	-0.04	15-May-31	5.05	-0.10	7 year	4.89	-0.12
GBP	5.25	5.36	4.81	4.08	GBP	4.24	-0.03	14-Apr-33	5.10	-0.10	10 year	4.97	-0.13
JPY	-0.01	-0.03	0.28	1.02	JPY	0.86	-0.03	15-May-41	5.28	-0.10	15 year	5.08	-0.13
CAD	5.00	5.53	4.87	4.14	CAD	3.71	-0.04	15-May-51	5.20	-0.10			

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

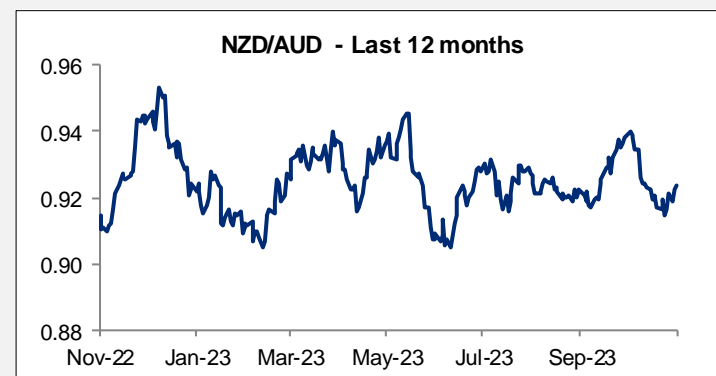
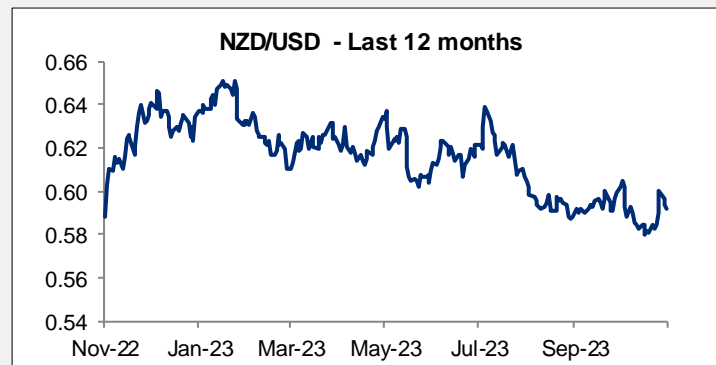
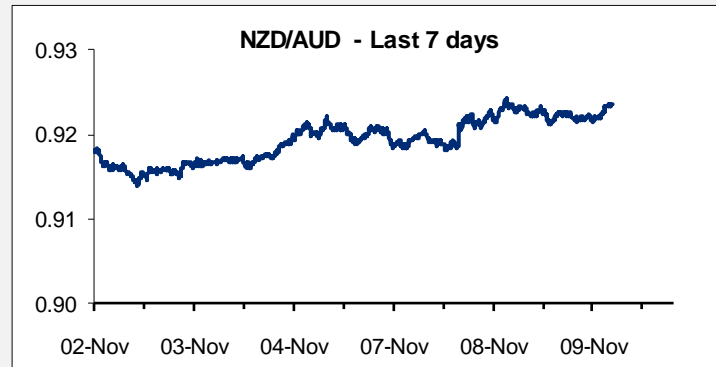
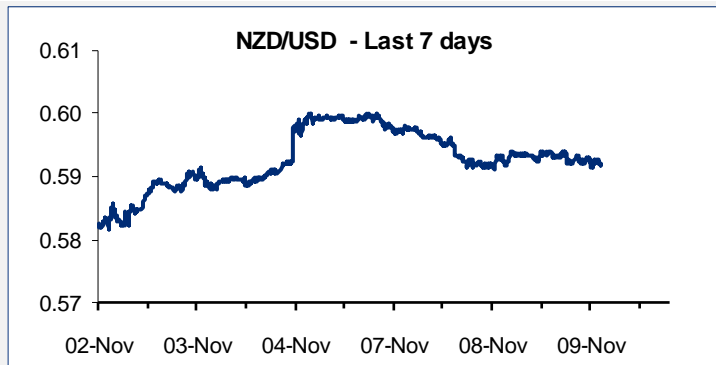
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:51

Source: Bloomberg

NZD exchange rates

9/11/2023	6:51 am	Prev. NY close
USD	0.5920	0.5936
GBP	0.4817	0.4826
AUD	0.9234	0.9223
EUR	0.5530	0.5548
JPY	89.34	89.26
CAD	0.8175	0.8172
CHF	0.5325	0.5343
DKK	4.1243	4.1377
FJD	1.3445	1.3534
HKD	4.6270	4.6417
INR	49.30	49.43
NOK	6.6244	6.6429
PKR	169.80	169.99
PHP	33.17	33.32
PGK	2.1805	2.1961
SEK	6.4504	6.4820
SGD	0.8029	0.8040
CNY	4.3066	4.3214
THB	21.07	21.11
TOP	1.3939	1.3652
VUV	72.16	72.43
WST	1.6378	1.6335
XPF	66.47	66.56
ZAR	10.9338	10.8858



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.20	0.50
3 Months	1.50	2.00
6 Months	1.84	2.88
9 Months	0.10	1.88
1 Year	-3.20	-0.20

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.31	-7.59
3 Months	-24.57	-23.30
6 Months	-44.67	-41.67
9 Months	-62.58	-57.52
1 Year	-75.85	-68.35

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