

# Research Markets Today

9 October 2023

## Events Round-Up

GE: Factory Orders (m/m%), Aug: 3.9 vs. 1.5 exp.  
 US: Change in Nonfarm Payrolls (k), Sep: 336 vs. 168 exp.  
 US: Unemployment Rate (%), Sep: 3.8 vs 3.7 exp.  
 US: Average Hourly Earnings (m/m%), Sep: 0.2 vs.0.3 exp.  
 US: Average Hourly Earnings (y/y%), Sep: 4.2 vs. 4.3 exp.  
 CA: Unemployment Rate (%), Sep: 5.5 vs. 5.6 exp.  
 CA: Hourly Wage Rate (y/y%), Sep: 5.3 vs. 5.1 exp.

## Good Morning

US nonfarm payrolls easily beat expectations at the end of last week resulting in significant moves across asset markets. US bond yields surged to fresh cycle highs before retracing with similar price action in the US Dollar which rallied initially before losing traction. The S&P erased early losses and closed 1% higher. Oil prices were little changed but still made the largest weekly fall since March, amid concerns about weaker global demand and elevated interest rates. Rising geopolitical risk in the Middle East is likely to support oil prices as well as dampen investor risk sentiment.

Nonfarm payrolls increased 336k in September — the most since January and double the median estimate — alongside a sizable 119k of upward revisions to the prior two months. The unemployment rate held steady at 3.8%, marginally higher than the 3.7% consensus after the surprising 0.3% jump in August. Meanwhile, average hourly earnings increased 0.2% m/m and 4.2% on an annual basis which the smallest increase since mid-2021.

The futures market priced an increased chance of a 25bp rate hike in November but not materially. There is about 8bp of hikes priced for the November FOMC suggesting a ~30% chance of a 25bp hike. Despite the strong jobs data, the market continues to question if another rate hike will be required given the broader tightening in financial conditions.

San Francisco Fed President, Mary Daly, an alternate voter on this year's FOMC, said last week that the surge in yields reduces the need for another rate hike. The selloff in the treasury market has contributed to the tightest financial conditions since the peak of Fed hawkishness in late 2022, according to an index calculated by Goldman Sachs. Daly

said she considers recent move higher in bond yields as equivalent to about one rate hike.

US treasuries sold off aggressively following the data. 2-year yields spiked from 5.04% to a high of 5.14% before retracing. However, the larger moves took place further out the yield curve. The yield on 10-year treasuries reached 4.89%, an intra-day increase of 15bp, with the session high last seen back in 2007. 30-year treasuries traded to a high of 5.05%. Treasury yields retraced from the highs though longer maturity bonds ended close to 25bp higher over last week. The 2y/10 curve continued the recent steepening trend and closed at -28bps.

Canadian labour market data was also strong. The economy added 64k jobs in September, more than three times consensus expectations. The unemployment rate was unchanged at 5.5% while hourly wages accelerated to 5.3% y/y. Although the economy has slowed, inflation and the labour market have remained firm. The Bank of Canada (BOC) will be looking for more evidence its hiking cycle has slowed the economy enough to restore price stability. The market is almost fully pricing a further 25bps hike by March.

In currency markets, the US Dollar jumped sharply following the upside surprise in payrolls but faded in line with the retracement in treasury yields. The dollar index traded 0.6% higher initially but ended the session around 0.2% lower than before the data. In the majors, EUR/USD slipped below 1.0500 before rebounding more than a big figure to close near 1.0580. The Yen was a notable underperformer within G10 currencies and remained weaker against the US dollar.

NZD/USD price action mirrored the US dollar initially dipping below 0.5930 before rebounding strongly to reach session highs above 0.6000. The move higher gained additional momentum as NZD/USD traded above the pre-payrolls levels. The kiwi was among the best performers in the G10 and gained against the Australian dollar. NZD/AUD traded above 0.9380 to the highest level in more than 4 months. NZD/JPY closed near 89.50, approaching the multi-year highs (90.20) reached in late September.

NZ government bond yields ended little changed in the local session on Friday with 10-year yields closing at 5.52%, only marginally below the multi-year highs of 5.54% reached during last week. Swaps were also little changed

with and 10-year swap spreads remaining near recent lows at -19bp. Australian 3-year and 10-year bond futures ended the week at similar levels to the local close on Friday.

There is no local data today. The main event on the global economic calendar in the week ahead is September CPI in the US released early Friday morning (NZT). [stuart.ritson@bnz.co.nz](mailto:stuart.ritson@bnz.co.nz)

### Coming Up

		Perioc Cons.	Prev.	NZT
GE	Industrial Production (m/m%)	Aug	-0.8	19:00

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	0.5990	+0.4	0.5924	0.6004	CHF	0.9098	-0.3	S&P 500	4,309	+1.2	18.4	Oil (Brent)	84.58	+0.6						
AUD	0.6385	+0.3	0.6313	0.6400	SEK	10.963	-0.4	Dow	33,408	+0.9	14.0	Oil (WTI)	82.79	+0.6						
EUR	1.0586	+0.3	1.0483	1.0600	NOK	10.917	-0.4	Nasdaq	13,431	+1.6	26.1	Gold	1830.2	+0.7						
GBP	1.2237	+0.4	1.2106	1.2261	HKD	7.832	+0.0	Stoxx 50	4,144	+1.1	22.8	HRC steel	705.0	+0.0						
JPY	149.29	+0.5	148.82	149.53	CNY	7.298	-0.2	FTSE	7,495	+0.6	7.2	CRB	276.9	+0.8						
CAD	1.3663	-0.3			SGD	1.365	-0.1	DAX	15,230	+1.1	24.1	Wheat Chic.	598.0	-1.5						
NZD/AUD	0.9382	+0.2			IDR	15,613	-0.0	CAC 40	7,060	+0.9	20.3	Sugar	26.74	+2.2						
NZD/EUR	0.5659	+0.1			THB	36.92	-0.1	Nikkei	30,995	-0.3	14.3	Cotton	86.85	+0.7						
NZD/GBP	0.4895	+0.0			KRW	1,350	-0.0	Shanghai	3,110	+0.1	2.3	Coffee	146.1	+0.4						
NZD/JPY	89.42	+0.9			TWD	32.13	-0.5	ASX 200	6,954	+0.4	2.8	WM powder	3110	+0.0						
NZD/CAD	0.8184	+0.1			PHP	56.63	-0.1	NZX 50	11,287	-0.2	1.7	<b>Australian Futures</b>								
NZ TWI	71.06	+0.3										3 year bond	95.99	0.04						
												10 year bond	95.41	-0.01						
<b>Interest Rates</b>																				
	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				
USD	5.50	5.67	4.98	4.49	USD	4.80	0.08	15-Apr-25	5.73	-0.01			1 year	5.90	-0.01					
AUD	4.10	4.13	4.27	4.86	AUD	4.54	-0.03	15-Apr-27	5.48	0.00			2 year	5.71	-0.02					
NZD	5.50	5.69	5.71	5.34	NZD	5.53	0.01	15-May-28	5.42	0.01			5 year	5.35	-0.01					
EUR	4.00	3.97	3.75	3.44	GER	2.88	0.01	15-May-31	5.49	0.02			7 year	5.32	-0.00					
GBP	5.25	5.42	5.16	4.48	GBP	4.57	0.03	14-Apr-33	5.53	0.01			10 year	5.34	0.00					
JPY	-0.02	-0.03	0.20	1.00	JPY	0.81	-0.01	15-May-41	5.76	-0.00			15 year	5.41	0.00					
CAD	5.00	5.56	5.40	4.61	CAD	4.16	0.02	15-May-51	5.75	-0.01										

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

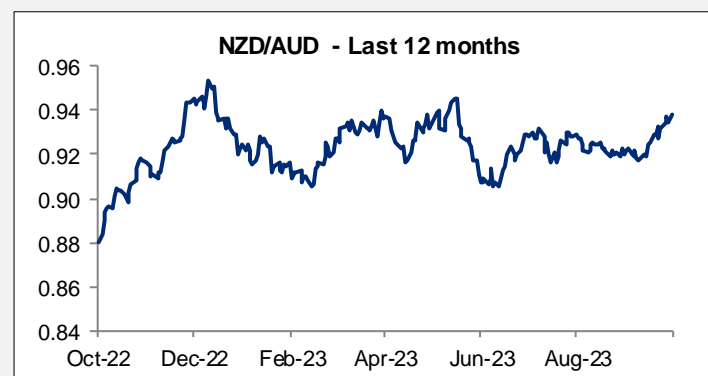
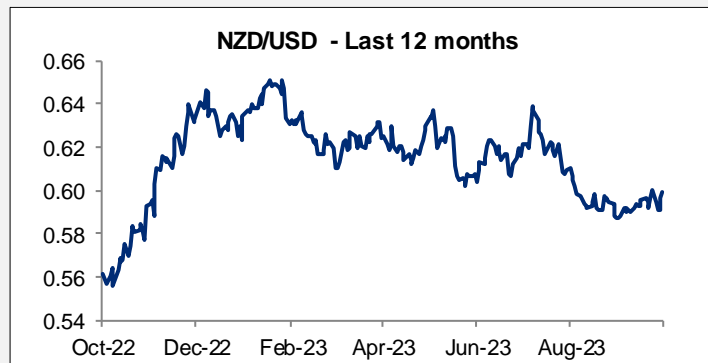
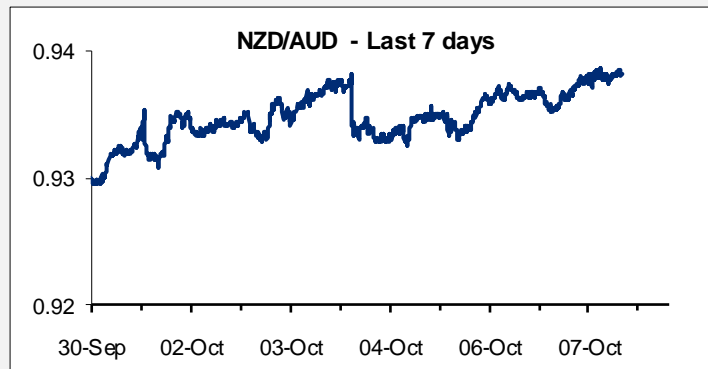
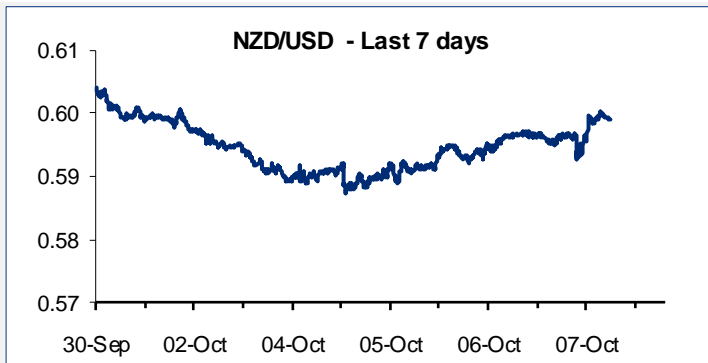
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates at NY close

Source: Bloomberg

**NZD exchange rates**

6/10/2023	NY close	Prev. NY close
USD	0.5990	0.5966
GBP	0.4895	0.4893
AUD	0.9382	0.9366
EUR	0.5659	0.5655
JPY	89.42	88.60
CAD	0.8184	0.8176
CHF	0.5450	0.5443
DKK	4.2198	4.2168
FJD	1.3611	1.3693
HKD	4.6911	4.6717
INR	49.86	49.67
NOK	6.5391	6.5389
PKR	169.34	169.21
PHP	33.92	33.82
PGK	2.1949	2.1934
SEK	6.5665	6.5662
SGD	0.8177	0.8156
CNY	4.3715	4.3622
THB	22.18	22.03
TOP	1.4025	1.4008
VUV	73.69	73.48
WST	1.6493	1.6481
XPF	67.65	67.48
ZAR	11.5607	11.6442



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.07	0.69
3 Months	0.71	1.52
6 Months	-1.00	3.30
9 Months	-5.32	0.84
1 Year	-12.01	-7.55

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-10.79	-9.51
3 Months	-32.13	-30.02
6 Months	-62.54	-55.96
9 Months	-93.28	-80.95
1 Year	-122.84	-111.35

# Contact Details

## BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Craig Ebert**

Senior Economist  
+64 4 474 6799

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets Strategist  
+64 4 924 7652

**Stuart Ritson**

Senior Interest Rate Strategist  
+64 9 9248601

**Mike Jones**

BNZ Chief Economist  
+64 9-956 0795

## Main Offices

**Wellington**

Level 4, Spark Central  
42-52 Willis Street  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**

111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

**Analyst Disclaimer:** The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

**New Zealand:** The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

**USA:** If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.