

# Research Markets Today

10 November 2023

## Events Round-Up

CH: CPI (y/y%), Oct: -0.2 vs. -0.1 exp.

CH: PPI (y/y%), Oct: -2.6 vs. -2.7 exp.

US: Initial jobless claims (k), wk to 4-Nov: 217 vs. 218 exp.

## Good Morning

Another day of light news sees further market consolidation. The NZD has outperformed, pushing up towards 0.5950 and it is higher on the crosses. The US 10-year rate has pushed higher after trading at a fresh six-week low yesterday afternoon.

This week is living up to its billing of being uneventful, as the lack of newsflow continues. Traders are anticipating what Powell might say when he appears on a panel at an IMF Conference at 8am NZ time, but it's hard to imagine any different message from what he gave last week after the FOMC announcement.

In trading yesterday afternoon, the US 10-year Treasury yield got down to 4.47%, below the level in the aftermath of last week's soft payrolls report, but since then it has been grinding back higher and currently sits at 4.57% up 9bps from the NZ close. The curve has steepened, with a milder grind higher in the 2-year rate. There have been a number of Fed speakers overnight, but none of them capturing the market's attention with any insightful comments. European 10-year rates are up about 3bps for the day.

After eight consecutive up days, the S&P500 has been in and out of positive territory and is currently flat, with a few hours of trading left in the day. For the trivia buffs, a positive close would make it the longest winning streak since 2004 (and ten straight positive sessions haven't been seen since 1995). The Euro Stoxx 600 index closed up 0.8%. After two days of chunky falls cumulating towards 7%, Brent crude has recovered close to 1%, trading back above the USD80 per barrel mark.

In economic news, US initial jobless claims were 217k last week, in line with expectations, and consistent with a lift in the trend over recent weeks, but still far from indicating that the labour market is in any serious trouble. Yesterday, China inflation data showed the economy in a state of deflation, with lower food prices dragging the CPI back into

negative territory, at minus 0.2% y/y and PPI deflation extending a touch to minus 2.6% y/y. The data will keep the pressure on the government to continue with its incremental easing in monetary and fiscal policy.

BoJ Governor Ueda spoke at an FT Conference and outlined a very cautious approach to unwinding the Bank's ultra-easy policy stance, viz "When we normalise short-term interest rates, we will have to be careful about what will happen to financial institutions, what will happen to borrowers of money in general and what will happen to aggregate demand...it is going to be a serious challenge for us." His views were in line with previous sourced media reports, which suggest a softly, softly approach to policy adjustments, one that could keep the yen under pressure for some time yet. USD/JPY has range traded around the 151 level over the past 24 hours.

For no obvious reason, the NZD has modestly outperformed, trading to a high just shy of 0.5955 overnight and not far off that level as we go to print. The AUD trades close to the level as at this time yesterday, at 0.6410, consolidating the weakness seen after the RBA's dovish hike earlier in the week, and seeing NZD/AUD push up to 0.9260.

The NZD is stronger on all the other key crosses as well, although this sees NZD/GBP and NZD/EUR simply unwind weakness over the prior day. NZD/JPY is edging up towards the 90 mark, a level it only briefly broke through at the end of September, so that will be the level to watch.

In the local rates market, the government bond tender showed strong demand for the nominal bonds issued, with high bid-cover ratios and pricing 2-3bps through prevailing mids. The lack of an anticipated syndication deal for long-bonds this side of Christmas has left the market short, and has played a role in compressing NZ-global rate spreads this month, in addition to the soft NZ data backdrop. The 10-year NZGB fell 9bps to 5.01%, after a brief look below 5%, and extending the fall seen through November to 55bps. The swaps curve showed slightly milder falls, with the 2-year rate down 1bp to 5.25% and the 10-year rate down 8bps to 4.89%.

In the day ahead, soon after we go to print, Fed Chair Powell will be on a panel at an IMF conference, so expect to see some reiteration of last week's messages on the policy outlook. At its Statement on Monetary Policy, the

RBA will be publishing its full suite of economic projections that support its decision earlier in the week to hike rates. On the data calendar, the NZ manufacturing PMI, UK GDP and University of Michigan consumer sentiment and inflation expectations will be published. UK GDP is expected to show a 0.1% q/q contraction in Q3.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

### Coming Up

	Period	Cons.	Prev.	NZT	
US	Fed's Powell speaks on panel at IMF conference			08:00	
NZ	Manufacturing PMI	Oct	45.3	10:30	
AU	RBA Statement on Monetary Policy			13:30	
UK	Industrial production (m/m%)	Sep	0.0	-0.7	20:00
UK	GDP (q/q%)	Q3	-0.1	0.2	20:00
US	U. of Mich. cons. sentiment	Nov	63.7	63.8	04:00
US	U. of Mich. 5-10yr inflation exp.	Nov	2.9	3.0	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	0.5940	+0.5	0.5917	0.5955	CHF	0.9003	+0.1	S&P 500	4,383	+0.0	16.9	Oil (Brent)	80.34	+1.0
AUD	0.6413	+0.2	0.6392	0.6428	SEK	10.857	-0.4	Dow	34,108	-0.0	4.9	Oil (WTI)	76.05	+1.0
EUR	1.0704	-0.0	1.0681	1.0725	NOK	11.151	-0.2	Nasdaq	13,665	+0.1	32.0	Gold	1966.1	+0.4
GBP	1.2267	-0.1	1.2252	1.2309	HKD	7.810	-0.1	Stoxx 50	4,229	+1.2	13.4	HRC steel	889.0	-0.3
JPY	151.07	+0.1	150.77	151.19	CNY	7.285	+0.1	FTSE	7,456	+0.7	2.2	CRB	273.4	-0.8
CAD	1.3770	-0.2			SGD	1.357	+0.1	DAX	15,353	+0.8	12.3	Wheat Chic.	605.3	-1.8
NZD/AUD	0.9262	+0.3			IDR	15,655	+0.0	CAC 40	7,114	+1.1	10.6	Sugar	27.88	+2.5
NZD/EUR	0.5549	+0.5			THB	35.63	+0.3	Nikkei	32,646	+1.5	18.9	Cotton	76.36	+2.0
NZD/GBP	0.4842	+0.6			KRW	1,310	-0.0	Shanghai	3,053	+0.0	0.6	Coffee	174.2	+1.2
NZD/JPY	89.74	+0.6			TWD	32.27	+0.1	ASX 200	7,015	+0.3	0.7	WM powder	3040	-0.3
NZD/CAD	0.8179	+0.3			PHP	55.86	-0.3	NZX 50	11,198	+0.4	1.0	<b>Australian Futures</b>		
NZ TWI	70.25	+0.5										3 year bond	95.83	0.00
												10 year bond	95.41	-0.08
<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		Last	
USD	5.50	5.63	4.81	4.21	USD	4.57	0.07	15-Apr-25	5.32	-0.01		1 year	5.62	0.00
AUD	4.35	4.40	4.47	4.88	AUD	4.53	-0.05	15-Apr-27	4.90	-0.05		2 year	5.25	-0.01
NZD	5.50	5.62	5.25	4.89	NZD	5.01	-0.09	15-May-28	4.88	-0.06		5 year	4.82	-0.04
EUR	4.00	3.97	3.52	3.14	GER	2.65	0.03	15-May-31	4.97	-0.09		7 year	4.82	-0.06
GBP	5.25	5.36	4.80	4.12	GBP	4.27	0.03	14-Apr-33	5.01	-0.09		10 year	4.89	-0.08
JPY	-0.01	-0.03	0.28	1.02	JPY	0.84	-0.02	15-May-41	5.18	-0.11		15 year	5.00	-0.09
CAD	5.00	5.53	4.94	4.21	CAD	3.79	0.09	15-May-51	5.09	-0.11				

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

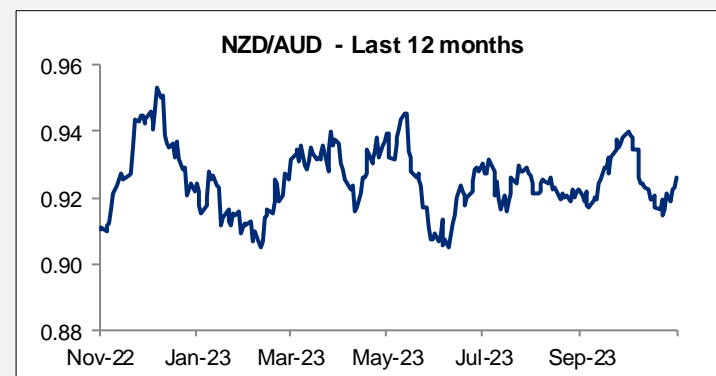
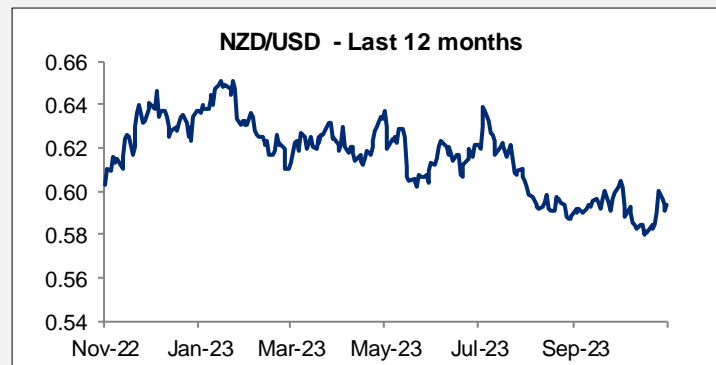
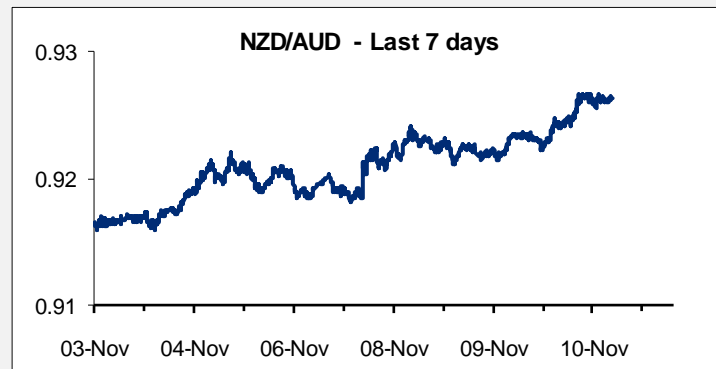
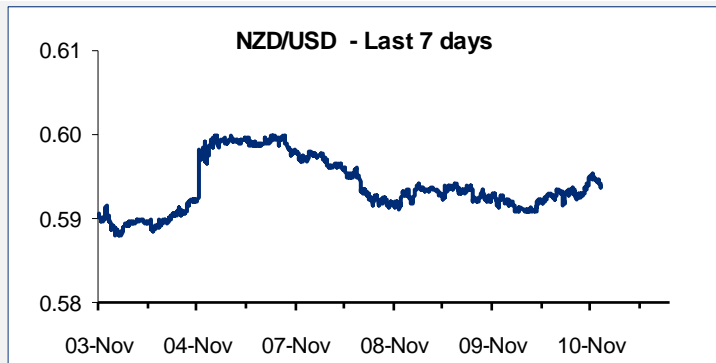
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:51

Source: Bloomberg

**NZD exchange rates**

10/11/2023	6:51 am	Prev. NY close
USD	0.5940	0.5911
GBP	0.4842	0.4812
AUD	0.9262	0.9233
EUR	0.5549	0.5520
JPY	89.74	89.24
CAD	0.8179	0.8152
CHF	0.5348	0.5316
DKK	4.1382	4.1165
FJD	1.3614	1.3545
HKD	4.6388	4.6194
INR	49.47	49.23
NOK	6.6236	6.6055
PKR	170.37	169.28
PHP	33.18	33.12
PGK	2.1895	2.1804
SEK	6.4488	6.4407
SGD	0.8062	0.8018
CNY	4.3271	4.3009
THB	21.13	21.04
TOP	1.3996	1.3971
VUV	72.86	72.05
WST	1.6444	1.6293
XPF	66.51	66.37
ZAR	11.0314	10.9195



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.24	0.49
3 Months	1.53	2.02
6 Months	2.18	3.23
9 Months	1.04	2.86
1 Year	-1.54	1.46

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.83	-7.18
3 Months	-23.76	-22.55
6 Months	-44.12	-41.07
9 Months	-61.23	-55.90
1 Year	-73.68	-66.18

# 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 2, BNZ Place  
1 Whitmore 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

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