

Research Markets Today

11 December 2023

Events Round-Up

NZ: Mfg Activity Volume (q/q%), 3Q: -2.7 vs. 2.9 prev.
 JN: Labor Cash Earnings (y/y%), Oct: 1.5 vs. 1.0 exp.
 US: Change in Nonfarm Payrolls (k), Nov: 199 vs. 185 exp.
 US: Unemployment Rate (%), Nov: 3.7 vs 3.9 exp.
 US: Average Hourly Earnings (m/m%), Nov: 0.4 vs. 0.3 exp.
 US: Average Hourly Earnings (y/y%), Nov: 4.0 vs. 4.0 exp.
 US: U. of Mich. Sentiment Dec P, 69.4 vs. 62 exp.
 US: U. of Mich. 5-10 Yr Inflation, Dec P: 2.8 vs. 3.1 exp.
 CH: CPI (y/y%), Nov: -0.5 vs. -0.2 exp.
 CH: PPI (y/y%), Nov: -3.0 vs. -2.8 exp.

Good Morning

US equities gained and treasury yields increased after US labour market data was stronger than expected in November. The S&P advanced 0.4% for its sixth consecutive week of gains and closed above 4600 for the first time in 2023. Higher treasury yields supported the US dollar. Oil prices rebounded from 5-month lows and were underpinned by news that the US intends to refill its Strategic Petroleum Reserve.

Nonfarm payrolls increased 199k. This was marginally above consensus estimates of 185k and there were downward revisions of 35k for the previous two months. The return of striking auto workers helped boost payrolls by 30k. The unemployment rate fell to 3.7% from 3.9% last month which was below every economist's estimate. Average hourly earnings increased 0.4% m/m, above the consensus of 0.3% and the annual rate declined to 4.0%, unchanged from October.

The market reduced expectations of a near term rate cut by the Federal Reserve in response to the labour market report. The probability of a cut at the March FOMC declined below 50% although a full 25bps cut is still priced for the May meeting. The Fed is almost certain to leave rates unchanged at this week's FOMC and the market will focus on the Fed's messaging and updated summary of economic projections.

US consumer confidence jumped in November, easily beating median estimates. University of Michigan consumer sentiment increased to 69.4 relative to the expected level of 62. The pullback in gas prices and

stronger equities are contributing to the improved sentiment. Within the report, 5 to 10-year inflation expectations fell sharply by 0.4% to 2.8%. Expectations had increased to 3.2% in October, a cyclical high, but looked unsustainable given its sensitivity to current inflation levels which have retraced a long way.

China CPI fell 0.5% on an annual basis in November which was a larger decline than expected. It is the biggest drop in 3 years. PPI declined 3% against expectations for a 2.8% fall. The economy has experienced deflationary pressures for much of 2023 amid weak domestic demand. There are indications that fiscal support will increase to support the economic recovery.

US treasury yields moved higher following payrolls led by the front end. 2-year yields ended the session up 12bps at 4.72%. The curve bear flattened with 10-year yields increasing 8bps to 4.22%. The 2y/10y curve has flattened since the end of October with the longer end outperforming amid the move lower in yields. The market looks ahead to US\$108 billion of coupon supply this week comprising 3,10 and 30-year securities in a compressed schedule given the Fed meeting.

The US Dollar made broad-based gains following the data with the dollar index (DXY) increasing 0.4%. After 3 consecutive weeks of losses, the DXY made a weekly gain of close to 0.6%. The Yen was among the weakest currencies in the G10 with USD/JPY ending the week just below 145.00 having traded to 142.50 lows in Asia. NZD/USD fell to session lows near 0.6105 following payrolls before making a modest recovery to 0.6120 into the close. NZD/AUD traded down towards 0.9300.

NZ government bond yields ended the local session on Friday higher in yield. 10-year bonds increased 5bps to 4.88% in the absence of domestic drivers. Interest rate swaps underperformed bonds with 10-year swap spreads widening 3bps. Australian 3 and 10-year bond futures are about 5bps higher in yield from the local close on Friday, and combined with the move in US treasuries, suggest an upward bias for NZGBs yields on the open.

There is no economic data or events of note today.

stuart.ritson@bnz.co.nz

Indicative overnight ranges (*)								Equities				Commodities**		
				Other FX				Major Indices				Price		
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day
NZD	0.6122	-0.8	0.6104	0.6166	CHF	0.8799	+0.5	S&P 500	4,604	+0.4	16.2	Oil (Brent)	75.87	+2.6
AUD	0.6578	-0.3	0.6558	0.6617	SEK	10.465	+0.7	Dow	36,248	+0.4	7.3	Oil (WTI)	71.23	+2.7
EUR	1.0762	-0.3	1.0724	1.0791	NOK	10.905	+0.3	Nasdaq	14,404	+0.4	30.0	Gold	1998.3	-1.6
GBP	1.2548	-0.4	1.2503	1.2590	HKD	7.809	-0.0	Stoxx 50	4,523	+1.1	15.4	HRC steel	1070.0	+0.0
JPY	144.97	+0.6	143.72	145.21	CNY	7.170	+0.3	FTSE	7,554	+0.5	1.1	CRB	262.8	+0.8
CAD	1.3585	-0.1			SGD	1.342	+0.2	DAX	16,759	+0.8	17.5	Wheat Chic.	631.8	-1.6
NZD/AUD	0.9307	-0.4			IDR	15,518	+0.0	CAC 40	7,527	+1.3	13.2	Sugar	23.36	+1.4
NZD/EUR	0.5688	-0.5			THB	35.53	+1.1	Nikkei	32,308	-1.7	15.8	Cotton	81.44	-1.4
NZD/GBP	0.4878	-0.4			KRW	1,307	-1.4	Shanghai	2,970	+0.1	-7.4	Coffee	177.2	-0.2
NZD/JPY	88.74	-0.2			TWD	31.38	-0.3	ASX 200	7,195	+0.3	-0.3	WM powder	3115	-1.1
NZD/CAD	0.8316	-0.9			PHP	55.40	+0.2	NZX 50	11,496	-0.0	-0.9	Australian Futures		
NZ TWI	71.44	-0.6										3 year bond	96.09	0.02
Interest Rates								NZ Government Bonds				NZ Swap Yields		
Rates		Swap Yields		Benchmark 10 Yr Bonds										
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last				Last	
USD	5.50	5.63	4.52	3.84	USD	4.23	0.08	15-Apr-25	5.24	0.01		1 year	5.56	-0.00
AUD	4.35	4.34	4.22	4.61	AUD	4.30	-0.04	15-Apr-27	4.83	0.04		2 year	5.20	0.02
NZD	5.50	5.63	5.20	4.73	NZD	4.88	0.05	15-May-28	4.78	0.04		5 year	4.72	0.06
EUR	4.00	3.97	3.13	2.74	GER	2.28	0.09	15-May-31	4.84	0.04		7 year	4.69	0.07
GBP	5.25	5.34	4.64	3.85	GBP	4.04	0.07	14-Apr-33	4.88	0.05		10 year	4.73	0.08
JPY	0.00	-0.03	0.28	1.02	JPY	0.77	0.01	15-May-41	5.13	0.05		15 year	4.82	0.08
CAD	5.00	5.45	4.53	3.72	CAD	3.37	0.07	15-May-51	5.08	0.05				

* 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

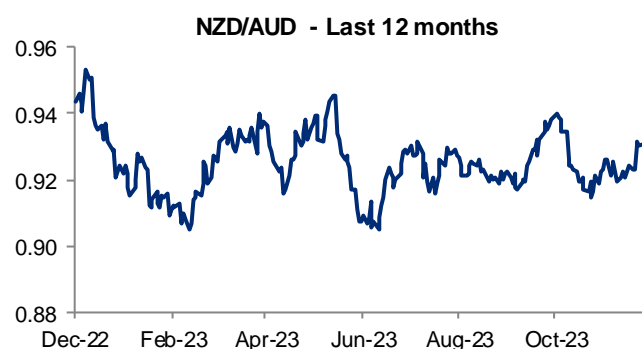
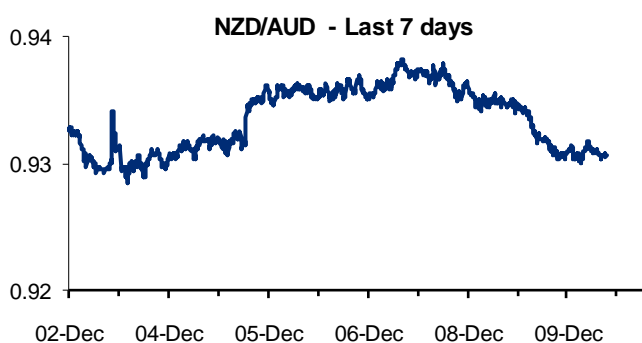
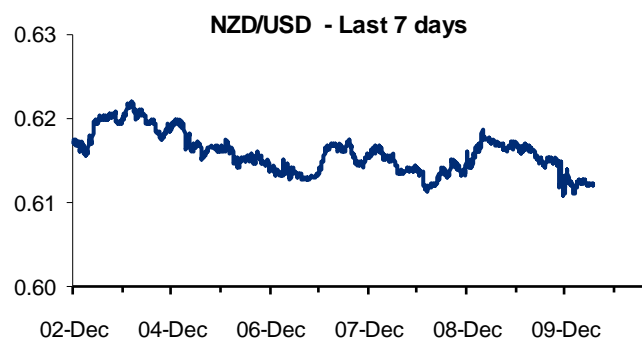
9/12/2023	NY close	Prev. NY close
USD	0.6122	0.6170
GBP	0.4878	0.4899
AUD	0.9307	0.9346
EUR	0.5688	0.5716
JPY	88.74	88.93
CAD	0.8316	0.8391
CHF	0.5389	0.5401
DKK	4.2412	4.2616
FJD	1.3703	1.3875
HKD	4.7819	4.8196
INR	51.07	51.43
NOK	6.6784	6.7073
PKR	173.87	175.31
PHP	33.87	34.12
PGK	2.2715	2.2852
SEK	6.4089	6.4109
SGD	0.8219	0.8263
CNY	4.3910	4.4107
THB	21.64	21.71
TOP	1.4325	1.4562
VUV	73.46	74.24
WST	1.6743	1.6769
XPF	67.77	68.06
ZAR	11.6086	11.5781

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.72	1.23
3 Months	1.15	2.21
6 Months	-1.18	1.50
9 Months	-6.76	-1.75
1 Year	-12.27	-8.27

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.84	-7.88
3 Months	-24.23	-22.17
6 Months	-48.93	-43.48
9 Months	-71.20	-61.42
1 Year	-88.16	-78.61



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

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