

Research

Markets Today

12 October 2023

Events Round-Up

NZ: Net migration, Aug: 9980 vs. 5786 prev.

US: PPI ex food, energy (m/m%), Sep: 0.3 vs. 0.2 exp.

US: PPI ex food, energy (y/y%), Sep: 2.7 vs 2.3 exp.

Good Morning

Global markets were generally subdued overnight with investors looking ahead to key US CPI data this evening and the release of the minutes from the September FOMC meeting where the US Federal Reserve held rates steady at a 22-year high of 5.5%.

The FOMC minutes revealed policy makers agreed that the central bank should 'proceed carefully' on rate decisions and that incoming data would help determine if another rate hike was required in coming months. It was agreed that rates should stay high for some time to keep bringing inflation down while noting that risks had become more balanced.

US producer prices increased 0.5% in September, beating consensus estimates for a 0.3% rise, with higher food and energy prices contributing to the rise. This took the annual rate to 2.2% which was the fastest pace since April. Excluding food and energy, PPI climbed 0.3% m/m and 2.7% y/y.

Fed Governor Waller said the central bank can 'watch and see' what happens before raising rates further as financial markets conditions tighten. Top officials at the Fed have been presenting a common narrative that tighter financial conditions, driven by the recent surge in US treasury yields, may reduce the need for additional increases in the fed funds rate. Futures market pricing implies a less than 10% chance of a 25bp hike at the November FOMC.

Global government bond yields continued to move lower led by the longer end amid short covering flows as the market pulls back from the multi-year highs in yield reached last week. Yields on 10-year treasuries fell close to 10bp intra-day to lows near 4.54% before retracing higher. A 2bp tail in the US\$35 billion 10-year auction contributed to the reversal higher in yields. 2-year bonds moved back above 5% following the PPI data resulting in a flatter curve.

Chinese equities have extended the recovery off 1-year lows on news that policy makers are considering raising the 2023 budget deficit for infrastructure spending. It is unusual for the budget to be revised in the middle of the year and a move beyond the usual debt-to-GDP target suggests a greater sense of urgency by policy makers to boost economic growth. The government has avoided fiscal stimulus so far and if the measures materialise, it will mark a shift in stance. The Hang Seng China Enterprises Index was up 1.4% and has now rebounded 5% off the lows from a week ago.

An increase in issuance of Yuan denominated sovereign bonds in Hong Kong, announced by China's Ministry of Finance, will aid efforts to support the Yuan. The issue of offshore sovereign notes began in 2009 and is forecast to rise to record volumes this year. This will boost demand for the CNH and tighten liquidity. USD/CNH has stabilised in recent weeks after the steady uptrend from January to the beginning of September.

Currency markets were fairly subdued overall with the US dollar index largely unchanged. Amongst the majors, EUR/USD was stable while USD/JPY moved higher though the overnight session to trade up towards 149.20. The Norwegian Krone was an underperformer within the G10 with oil prices unwinding some of the risk aversion related spike from Monday. NZD/USD was stable near 0.6020 in overnight trade while NZD/AUD edged higher to 0.9400.

NZ fixed interest markets moved lower in yield in the local session yesterday continuing to benefit from the improved tone across global bond markets. 10-year government bond yields fell 3bps to 5.40%, 15bps below the multi-year highs reached last week. Swaps outperformed bonds with the 10-year swap spreads back at the recent lows near -20bp ahead of weekly supply. New Zealand Debt Management is tendering NZ\$500 million of nominal NZGBs today split across 15 May 2030 (\$200m), 15 May 2032 (\$225m) and 15 May 2051 (\$75m). Australian 10-year bond futures are about 4bp lower in yield since the local close yesterday.

September food prices are released today which will allow us to further refine our Q3 inflation forecasts ahead of next weeks release. The focus overnight will be US CPI data for September. Consensus estimates are for a 0.3% increase in both the headline and the core. Recent

inflation data has been encouraging in the US, with 3m annualised core CPI having moderated to just 2.4%.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	REINZ house sales (y/y%)	Sep	9.2	09:00	
NZ	Food Prices MoM	Sep	0.5	10:45	
UK	Monthly GDP (MoM)	Aug	0.2	-0.5	19:00
UK	Industrial Production MoM	Aug	-0.1	-0.7	19:00
US	CPI MoM	Sep	0.3	0.6	01:30
US	CPI Ex Food and Energy MoM	Sep	0.3	0.3	01:30
US	CPI YoY	Sep	3.6	3.7	01:30
US	CPI Ex Food and Energy YoY	Sep	4.1	4.3	01:30
US	Initial Jobless Claims	Oct 7	210	207	01:30

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	0.6011	-0.6	0.6007	0.6037	CHF	0.9040	-0.1		S&P 500	4,352	-0.1	21.3	Oil (Brent)	86.29	-1.7	
AUD	0.6397	-0.5	0.6388	0.6434	SEK	10.935	+0.5		Dow	33,671	-0.1	15.2	Oil (WTI)	84.10	-2.4	
EUR	1.0593	-0.1	1.0583	1.0635	NOK	10.879	+0.6		Nasdaq	13,587	+0.2	30.3	Gold	1872.8	+0.7	
GBP	1.2288	+0.0	1.2270	1.2337	HKD	7.819	+0.0		Stoxx 50	4,201	-0.1	25.8	HRC steel	695.0	-0.9	
JPY	149.30	+0.4	148.58	149.31	CNY	7.301	+0.1		FTSE	7,620	-0.1	10.7	CRB	279.9	-0.1	
CAD	1.3615	+0.2			SGD	1.365	+0.1		DAX	15,460	+0.2	26.5	Wheat Chic.	586.3	-0.7	
NZD/AUD	0.9397	-0.1			IDR	15,700	-0.2		CAC 40	7,131	-0.4	22.3	Sugar	26.40	-2.7	
NZD/EUR	0.5675	-0.5			THB	36.46	-0.5		Nikkei	31,937	+0.6	21.0	Cotton	85.02	-0.6	
NZD/GBP	0.4892	-0.6			KRW	1,339	-0.8		Shanghai	3,079	+0.1	1.8	Coffee	147.7	+0.2	
NZD/JPY	89.74	-0.2			TWD	32.10	-0.1		ASX 200	7,088	+0.7	6.6	WM powder	3150	+0.0	
NZD/CAD	0.8184	-0.4			PHP	56.76	-0.2		NZX 50	11,306	+0.1	4.0	Australian Futures			
NZ TWI	71.32	-0.5											3 year bond	96.06	-0.01	
													10 year bond	95.62	0.06	
Interest Rates							Benchmark 10 Yr Bonds			NZ Government Bonds			NZ Swap Yields			
	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	5.69	4.91	4.30	USD	4.60	-0.05	15-Apr-25	5.62	-0.03	1 year	5.84	-0.00			
AUD	4.10	4.14	4.18	4.68	AUD	4.43	-0.03	15-Apr-27	5.37	-0.04	2 year	5.64	-0.01			
NZD	5.50	5.68	5.64	5.21	NZD	5.40	-0.04	15-May-28	5.32	-0.04	5 year	5.21	-0.04			
EUR	4.00	3.99	3.72	3.29	GER	2.72	-0.06	15-May-31	5.37	-0.04	7 year	5.18	-0.04			
GBP	5.25	5.41	5.07	4.24	GBP	4.33	-0.10	14-Apr-33	5.40	-0.04	10 year	5.21	-0.06			
JPY	-0.03	-0.03	0.18	0.93	JPY	0.77	-0.01	15-May-41	5.62	-0.04	15 year	5.28	-0.06			
CAD	5.00	5.57	5.30	4.42	CAD	3.95	-0.05	15-May-51	5.59	-0.04						

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

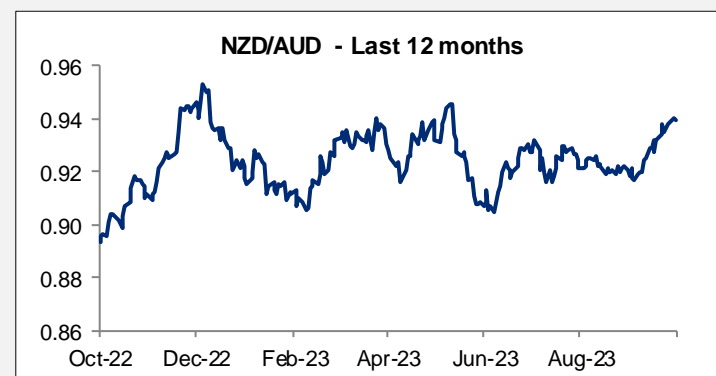
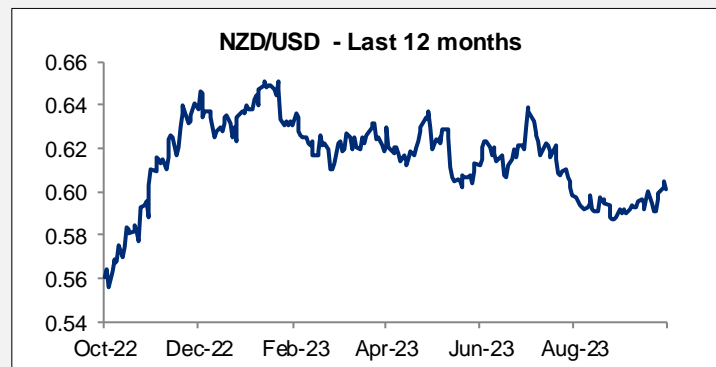
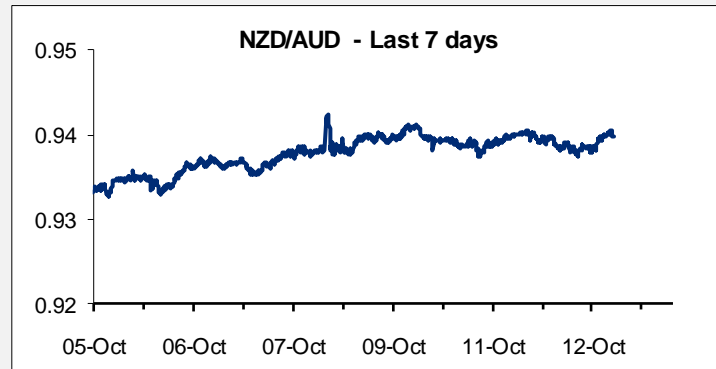
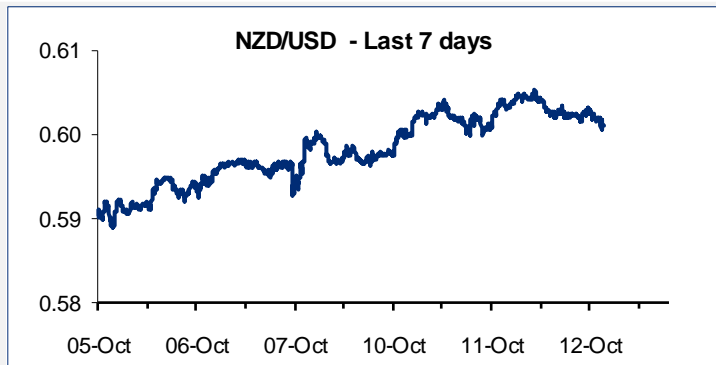
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 07:17

Source: Bloomberg

NZD exchange rates

11/10/2023	7:17 am	Prev. NY close
USD	0.6011	0.6046
GBP	0.4892	0.4921
AUD	0.9397	0.9400
EUR	0.5675	0.5701
JPY	89.74	89.91
CAD	0.8184	0.8212
CHF	0.5434	0.5469
DKK	4.2317	4.2507
FJD	1.3618	1.3778
HKD	4.7001	4.7275
INR	50.00	50.33
NOK	6.5390	6.5355
PKR	168.04	169.59
PHP	34.13	34.38
PGK	2.2116	2.2318
SEK	6.5727	6.5756
SGD	0.8202	0.8241
CNY	4.3885	4.4100
THB	21.89	22.21
TOP	1.4005	1.4183
VUV	73.46	74.14
WST	1.6403	1.6489
XPF	67.86	68.28
ZAR	11.3373	11.4983



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.23	0.51
3 Months	0.88	1.39
6 Months	0.27	1.29
9 Months	-3.83	-1.82
1 Year	-11.29	-8.29

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-10.75	-10.05
3 Months	-33.47	-32.21
6 Months	-63.48	-60.51
9 Months	-93.35	-88.12
1 Year	-123.87	-114.87

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