

# Research Markets Today

13 November 2023

## Events Round-Up

NZ: Manufacturing PMI, Oct: 42.5 vs. 45.3 prev.  
UK: Industrial production (m/m%), Sep: 0.0 vs. 0.0 exp.  
UK: GDP (q/q%), Q3: 0.0 vs. -0.1 exp.  
US: U. of Mich. cons. Sentiment, Nov: 60.4 vs. 63.7 exp.  
US: U. of Mich. 5-10yr inflation exp, Nov: 3.2 vs. 2.9 exp.

## Good Morning

US equities extended higher on Friday with the S&P moving back above the 4,400 level. The index is more than 7% above the late October low point. Weaker than expected consumer sentiment and earlier comments by Fed chair Powell, that the central bank won't hesitate to tighten policy further if needed to contain inflation, failed to undermine the positive risk sentiment. Treasuries and the US dollar were confined to narrow ranges. Oil prices gained 2% reducing the weekly fall to 4%.

Moody's lowered its outlook on the US's credit rating to negative from stable just ahead of the US close. The agency said that downside risks to the US's fiscal strength have increased and pointed to a sharp rise in debt servicing costs and 'entrenched political polarisation'. Moody's is the only major credit agency that maintains a AAA rating for the US.

University of Michigan consumer sentiment fell to 6-month low and undershot economists' expectations by some margin. The director of the survey pointed to a combination of persistently high prices, high borrowing costs, and labour market weakness for the decline in sentiment which does not bode well for continued strength in consumer spending.

Within the survey, consumers expectations of 5-10 year ahead inflation increased to 3.2% from 3.0% last month. This is a new cyclical high for the series and expectations have risen 0.4% in the past two months. The increase is likely related to the move higher in oil prices, which have since retraced, but the Fed will be watching expectations closely given fears the fall in inflation could stall.

GDP flatlined in the UK in Q3 which was marginally above consensus estimates for a small decline. Consumer spending, business investment and government spending all fell leaving trade to provide support. The Bank of

England expects the economy to stagnate over the next year. While policy makers have stressed that borrowing costs need to remain in restrictive territory, market pricing implies that the tightening cycle is complete with the policy rate at 5.25%. CPI data is released later this week.

The Reserve Bank of Australia Statement on Monetary Policy (SoMP) suggested a reluctance to hike rates further despite upgrading its inflation forecasts. The RBA considered both the argument to hike and to hold at the November meeting. The SoMP outlined that further tightening to ensure that inflation returns to target in reasonable timeframe will depend upon the data and the evolving assessment of risks.

An initial move lower in US treasury yields reversed following the upside surprise to long-term inflation expectations. 2-year yields reached a low of 4.97% before closing up 4bps at 5.06%. 10-year treasuries lost ground after the news about the US credit rating outlook and closed up 3bps at 4.65%.

It was a quiet session in currency markets with the dollar index confined to a narrow range in directionless trade. The standout performer within G10 currencies was the Norwegian Krone following data that showed underlying inflation picked up for the first time in four months. NZD/USD oscillated around 0.5890 to end little changed and was stable on the cross rates.

NZ government bond yields moved higher in the local session on Friday reflecting the moves in offshore markets. 10-year government bond yields increased 12bps to 5.12%. The yield curve had a modest steepening bias with 5-year bonds up 9bps. The 10y/30y curve flattened to 8bps despite NZDM announcing it will be tendering into the May 2051 maturity on Thursday. Australian bond futures are close to unchanged from the local close on Friday, suggesting limited directional bias for NZGBs on the open.

The Performance of Services Index for October is released today. The index rebounded to 50.70 last month after spending 3 consecutive months below 50. The Performance of Manufacturing Index slipped further into contractionary territory on Friday. There is no data of note on the international calendar today.

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## Coming Up

	Period	Cons.	Prev.	NZT
NZ Performance Services Index	Oct	50.7	10:30	

Indicative overnight ranges (*)							Other FX			Equities				Commodities**		
	Last	% Day	Low	High		Last	% Day	Major Indices			Price					
								Last	% Day	% Year		Last	Net Day			
NZD	0.5891	-0.1	0.5878	0.5905	CHF	0.9027	-0.0	S&P 500	4,415	+1.6	10.6	Oil (Brent)	81.43	+2.1		
AUD	0.6361	-0.1	0.6339	0.6367	SEK	10.897	-0.3	Dow	34,283	+1.2	1.6	Oil (WTI)	77.17	+2.1		
EUR	1.0685	+0.2	1.0656	1.0693	NOK	11.113	-1.0	Nasdaq	13,798	+2.0	21.9	Gold	1937.7	-1.4		
GBP	1.2227	+0.0	1.2187	1.2238	HKD	7.809	-0.0	Stoxx 50	4,197	-0.8	8.5	HRC steel	893.0	+0.4		
JPY	151.53	+0.1	151.32	151.60	CNY	7.286	+0.0	FTSE	7,361	-1.3	0.6	CRB	273.4	-0.0		
CAD	1.3799	-0.1			SGD	1.361	+0.0	DAX	15,234	-0.8	7.1	Wheat Chic.	599.3	-1.0		
NZD/AUD	0.9261	+0.0			IDR	15,695	+0.3	CAC 40	7,045	-1.0	6.8	Sugar	27.29	-1.8		
NZD/EUR	0.5513	-0.2			THB	35.99	+0.6	Nikkei	32,568	-0.2	15.2	Cotton	77.32	+1.0		
NZD/GBP	0.4818	-0.1			KRW	1,317	+0.5	Shanghai	3,039	-0.5	-1.6	Coffee	170.6	-2.1		
NZD/JPY	89.26	+0.1			TWD	32.37	+0.3	ASX 200	6,976	-0.5	-2.5	WM powder	3050	+0.3		
NZD/CAD	0.8128	-0.1			PHP	55.95	+0.2	NZX 50	11,140	-0.5	-1.5	<b>Australian Futures</b>				
NZ TWI	69.85	+0.0										3 year bond	95.75	-0.08		
												10 year bond	95.36	0.00		
<b>Interest Rates</b>																
	<b>Rates</b>				<b>Swap Yields</b>			<b>Benchmark 10 Yr Bonds</b>		<b>NZ Government Bonds</b>			<b>NZ Swap Yields</b>			
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last				Last			
USD	5.50	5.63	4.89	4.30	USD	4.65	0.03	15-Apr-25	5.32	0.01		1 year	5.64	0.02		
AUD	4.35	4.41	4.49	4.92	AUD	4.62	0.09	15-Apr-27	4.97	0.08		2 year	5.32	0.07		
NZD	5.50	5.62	5.32	4.99	NZD	5.12	0.11	15-May-28	4.96	0.09		5 year	4.92	0.10		
EUR	4.00	3.99	3.57	3.19	GER	2.72	0.07	15-May-31	5.07	0.11		7 year	4.92	0.10		
GBP	5.25	5.36	4.85	4.17	GBP	4.34	0.06	14-Apr-33	5.12	0.11		10 year	4.99	0.10		
JPY	-0.01	-0.03	0.28	1.04	JPY	0.85	0.01	15-May-41	5.28	0.11		15 year	5.10	0.10		
CAD	5.00	5.52	4.97	4.24	CAD	3.85	-0.00	15-May-51	5.20	0.11						

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

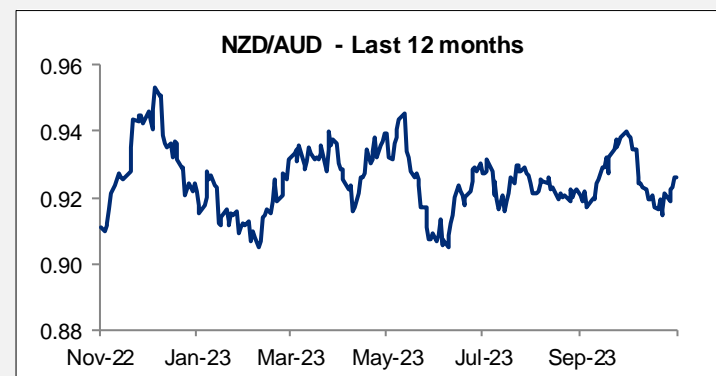
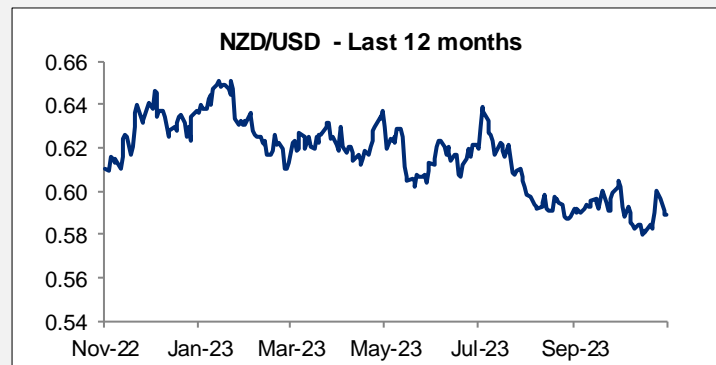
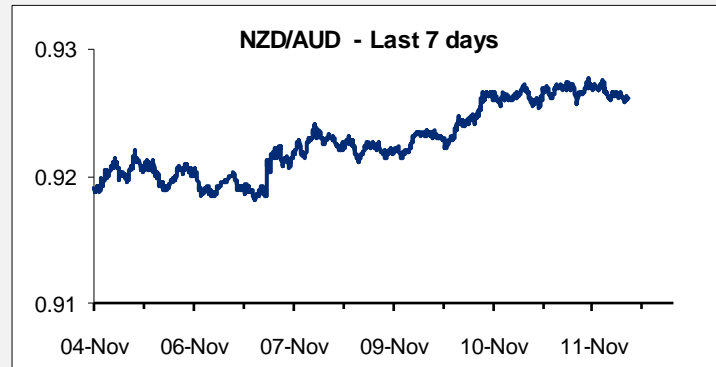
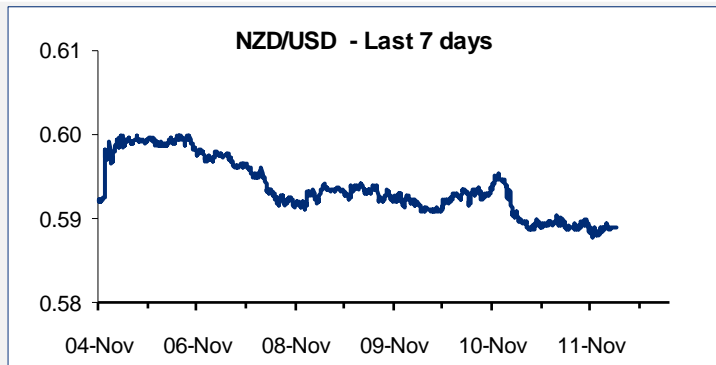
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates at NY close

Source: Bloomberg

**NZD exchange rates**

11/11/2023	NY close	Prev. NY close
USD	0.5891	0.5894
GBP	0.4818	0.4822
AUD	0.9261	0.9257
EUR	0.5513	0.5525
JPY	89.26	89.21
CAD	0.8128	0.8138
CHF	0.5318	0.5322
DKK	4.1114	4.1206
FJD	1.3428	1.3565
HKD	4.6002	4.6027
INR	49.10	49.09
NOK	6.5467	6.6137
PKR	168.97	168.79
PHP	32.96	32.93
PGK	2.1698	2.1870
SEK	6.4191	6.4402
SGD	0.8015	0.8018
CNY	4.2919	4.2935
THB	21.14	20.97
TOP	1.3884	1.3888
VUV	71.96	72.11
WST	1.6330	1.6320
XPF	66.07	66.11
ZAR	11.0321	10.9982



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.22	0.57
3 Months	1.44	2.24
6 Months	1.85	4.28
9 Months	1.50	4.20
1 Year	-1.21	2.82

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.94	-7.09
3 Months	-23.90	-22.16
6 Months	-44.97	-39.68
9 Months	-61.48	-54.36
1 Year	-74.92	-65.09

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