

# Research Markets Today

15 November 2023

## Events Round-Up

AU: Westpac consumer conf, Nov: 79.9 vs. 82.0 prev.  
 AU: NAB business conditions, Oct: -2 vs. 1 prev.  
 GE: ZEW survey expectations, Nov: 9.8 vs. 5.0 exp.  
 EC: GDP (q/q%), Q3: -0.1 vs -0.1 exp.  
 US: NFIB small business optimism, Oct: 90.7 vs. 90.5 exp.  
 US: CPI (m/m%), Oct: 0.0 vs. 0.1 exp.  
 US: CPI ex food, energy (m/m%), Oct: 0.2 vs. 0.3 exp.  
 US: CPI (y/y%), Oct: 3.2 vs. 3.3 exp.  
 US: CPI ex food, energy (y/y%), Oct: 4.0 vs. 4.1 exp.

## Good Morning

There were large moves across global markets as US CPI printed below consensus expectations. The data increased the likelihood that the US Federal Reserve hiking cycle is complete and the next move in the policy rate will be a cut in 2024. Equities made strong gains – the S&P is up 1.8% in early afternoon trade – while bond yields fell sharply and the US dollar lost ground.

US CPI was unchanged in October which was below expectations for a 0.1% increase. This takes the annual rate to 3.2% and is down from 3.7% in September. Headline inflation was impacted by falling gasoline prices. Core prices were also below expectations rising 0.2% m/m and 4.0% on an annual basis. This is the lowest annual rate in 2-years and suggests the Fed's restrictive policy stance is gaining traction to bring inflation back towards target.

The 'supercore' measure of services prices, which is closely monitored by the Fed, rose 0.2% m/m which is the smallest increase since July and is expected to moderate further as wage gains slow. The CPI data significantly reduces the chance of a hike at the December FOMC though there is still one further CPI report along with payrolls data ahead of the meeting.

Market pricing removed the remaining small chance of a rate hike the December FOMC and brought forward the start of the easing cycle. There is close to a full 25bps cut priced by May of next year and almost 100bps of easing priced for 2024.

Global bond markets rallied strongly following the US CPI data. US 2-year treasury yields fell 20bps to 4.85% which is

the largest decline since the stress in the banking sector back in March. 10-year yields matched the sharp fall in front end yields and declined 19bps to 4.45%. The long-end lagged the move with the 10y/30y curve steepening 5bps to 17bps.

The US dollar fell more than 1%, its largest decline since January, as the currency market focused on the increased rate cuts being priced for next year. Within the majors EUR/USD spiked above 1.0850, a gain of close to 1.5% relative to levels before the data, while the yen lagged the moves in other G10 currencies.

The NZD was amongst the strongest G10 currencies set against the weaker US dollar backdrop. NZD/USD gained almost 2% and made highs above 0.5980. NZD/JPY extended recent gains and made fresh multi-year highs above 90.00. NZD/AUD is little changed near 0.9220.

In commodities, the International Energy Agency (IEA) said the oil market should return to surplus in early 2024 even if Saudi Arabia extends its production cuts that have tightened supplies this year. The IEA said slowing economic global growth and increased supply should reduce the draw on stockpiles. Brent crude prices were little changed near US\$83 per barrel.

Statistics NZ reported on new monthly price indices for selected goods and services yesterday covering around 44% of the consumer prices basket. The new indices complement existing monthly data on food prices and rents. The monthly data points to downside risks for our Q4 CPI forecast of 4.9% y/y which is below the RBNZ's projection of 5.2% from the August Monetary Policy Statement.

NZ government bond yields traded marginally lower in yield in the local session yesterday reflecting the moves in offshore markets and the softer price pressures from the selected indices. 10-year government bond yields closed down 2bps at 5.14% with a flattening bias. Swaps outperformed relative to bonds in the 3-5 maturity bucket. Australian bond futures have moved lower in yield since the local close yesterday, and combined with the more in treasuries, point to sharply lower NZGB yields on the open.

REINZ house sales and electronic card transactions are released today. It is a busy international calendar. Monthly activity data is released in China while the PBOC is

expected to leave the medium-term lending facility rate unchanged at 2.5%. UK headline CPI is expected to fall below 5% for the first time in 2-years. Lower energy prices are likely pushed down the headline US PPI while consensus expectations are for a 0.3% increase for the core.

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### Coming Up

		Period	Cons.	Prev.	NZT
NZ	REINZ House Sales (y/y%)	Oct	5.1	09:00	
NZ	Card Spending Total (m/m%)	Oct	-0.1	10:45	
NZ	Net Migration	Sep	9980	10:45	
JN	GDP SA (q/q%)	3Q P	-0.1	1.2	12:50
AU	Wage Price Index (q/q%)	3Q	1.3	0.8	13:30
AU	Wage Price Index (y/y%)	3Q	3.9	3.6	13:30
CH	1-Yr Medium-Term Rate	Nov	2.5	2.5	14:20
CH	Industrial Production (y/y%)	Oct	4.5	4.5	15:00
CH	Retail Sales (y/y%)	Oct	7	5.5	15:00
CH	Fixed Assets Ex Rural YTD (y/y%)	Oct	3.1	3.1	15:00
UK	CPI (y/y%)	Oct	4.7	6.7	20:00
UK	CPI Core (y/y%)	Oct	5.8	6.1	20:00
EC	Industrial Production (m/m%)	Sep	-0.9	0.6	23:00
US	Retail Sales Advance (m/m%)	Oct	-0.3	0.7	02:30
US	Retail Sales Ex Auto and Gas (m/m%)	Oct	0.2	0.6	02:30
US	PPI Ex Food and Energy (m/m%)	Oct	0.3	0.3	02:30
US	PPI Ex Food and Energy (y/y%)	Oct	2.7	2.7	02:30
US	Empire Manufacturing	Nov	-3	-4.6	02:30

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	0.5991	+1.9	0.5864	0.5991	CHF	0.8904	-1.2	S&P 500	4,492	+1.8	13.5	Oil (Brent)	83.12	+0.7
AUD	0.6497	+1.9	0.6361	0.6496	SEK	10.594	-2.3	Dow	34,825	+1.4	3.8	Oil (WTI)	78.88	+0.8
EUR	1.0871	+1.6	1.0694	1.0871	NOK	10.891	-1.7	Nasdaq	14,078	+2.2	25.7	Gold	1966.8	+0.9
GBP	1.2492	+1.7	1.2268	1.2491	HKD	7.807	-0.0	Stoxx 50	4,292	+1.4	10.4	HRC steel	895.0	+0.2
JPY	150.65	-0.7	150.65	151.75	CNY	7.253	-0.5	FTSE	7,440	+0.2	0.7	CRB	277.6	+1.6
CAD	1.3707	-0.7			SGD	1.350	-0.7	DAX	15,614	+1.8	9.1	Wheat Chic.	603.0	+0.2
NZD/AUD	0.9221	+0.1			IDR	15,695	-0.0	CAC 40	7,186	+1.4	8.7	Sugar	27.16	-2.0
NZD/EUR	0.5511	+0.3			THB	35.56	-1.1	Nikkei	32,696	+0.3	16.8	Cotton	79.30	+2.4
NZD/GBP	0.4796	+0.2			KRW	1,329	+0.3	Shanghai	3,056	+0.3	-2.5	Coffee	171.1	-1.2
NZD/JPY	90.25	+1.2			TWD	32.35	+0.1	ASX 200	7,007	+0.8	-1.9	WM powder	3100	+1.5
NZD/CAD	0.8212	+1.2			PHP	56.06	+0.0	NZX 50	11,173	+0.7	-0.6	<b>Australian Futures</b>		
NZ TWI	70.45	+1.1										3 year bond	95.7	0.00
												10 year bond	95.43	0.09
<b>Interest Rates</b>														
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ Swap Yields				
	Cash	3Mth	2 Yr	10 Yr	USD	Last	Net Day		Last		Last			
USD	5.50	5.64	4.68	4.13	USD	4.46	-0.18	15-Apr-25	5.27	-0.04	1 year	5.63	-0.02	
AUD	4.35	4.41	4.43	4.86	AUD	4.66	-0.01	15-Apr-27	5.01	-0.01	2 year	5.34	-0.04	
NZD	5.50	5.63	5.34	5.01	NZD	5.14	-0.03	15-May-28	4.99	-0.02	5 year	4.92	-0.05	
EUR	4.00	4.00	3.50	3.08	GER	2.60	-0.11	15-May-31	5.10	-0.03	7 year	4.93	-0.04	
GBP	5.25	5.36	4.74	3.99	GBP	4.15	-0.16	14-Apr-33	5.14	-0.03	10 year	5.01	-0.02	
JPY	-0.01	-0.03	0.27	1.00	JPY	0.86	-0.01	15-May-41	5.31	-0.02	15 year	5.11	-0.02	
CAD	5.00	5.52	4.81	4.08	CAD	3.68	-0.17	15-May-51	5.23	-0.02				

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

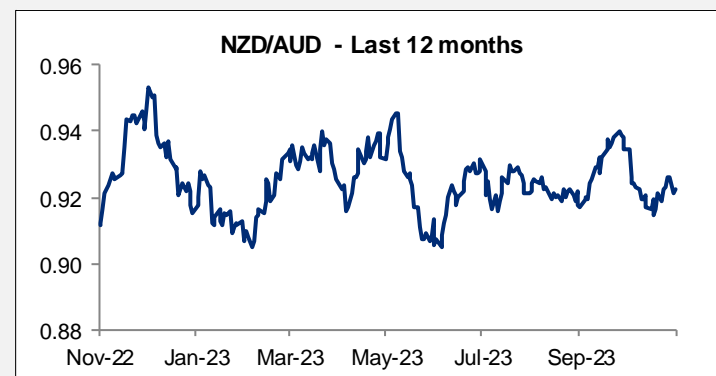
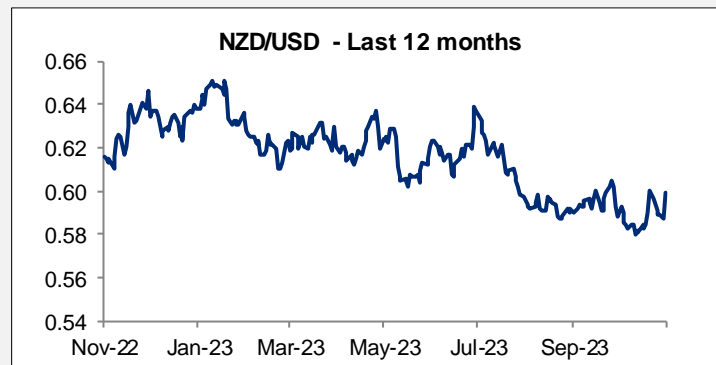
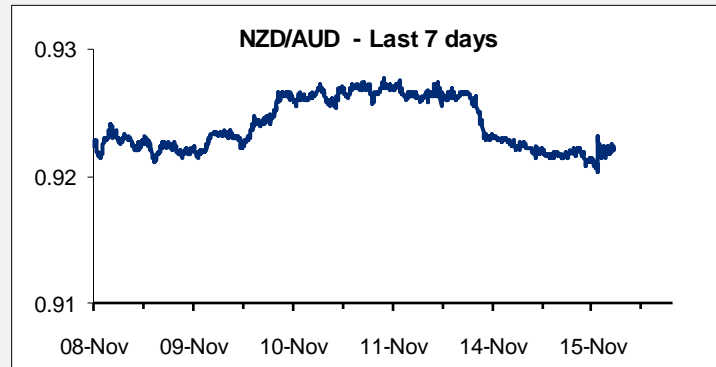
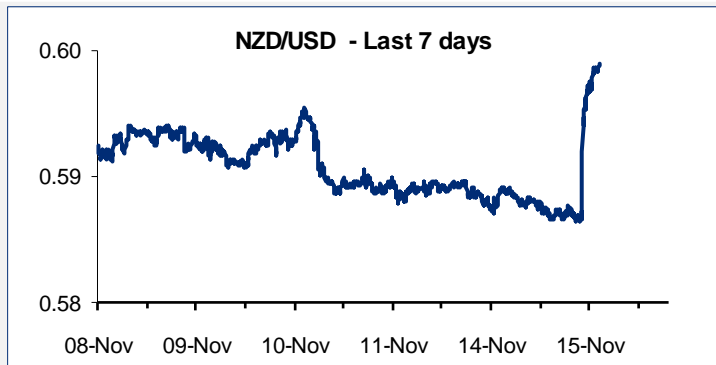
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:52

Source: Bloomberg

**NZD exchange rates**

15/11/2023 6:51 am		Prev. NY close
USD	0.5991	0.5877
GBP	0.4796	0.4786
AUD	0.9221	0.9216
EUR	0.5511	0.5494
JPY	90.25	89.17
CAD	0.8212	0.8113
CHF	0.5334	0.5299
DKK	4.1107	4.0973
FJD	1.3769	1.3495
HKD	4.6771	4.5889
INR	49.92	48.98
NOK	6.5246	6.5146
PKR	172.43	168.57
PHP	33.59	32.95
PGK	2.2271	2.1888
SEK	6.3469	6.3724
SGD	0.8087	0.7987
CNY	4.3452	4.2838
THB	21.60	21.16
TOP	1.4080	1.3809
VUV	73.65	71.91
WST	1.6302	1.6075
XPF	66.37	65.82
ZAR	10.9541	11.0056



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.31	0.60
3 Months	1.44	1.96
6 Months	1.24	2.44
9 Months	-1.93	0.08
1 Year	-6.13	-3.13

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.34	-7.61
3 Months	-23.82	-22.34
6 Months	-44.48	-41.23
9 Months	-62.26	-56.39
1 Year	-73.32	-65.77

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