

# Research Markets Today

21 November 2023

## Events Round-Up

There was no economic data of note.

## Good Morning

Global equity markets continue to consolidate recent gains. The S&P is up 0.5% in early afternoon trade while major European indices were close to unchanged. The Nikkei reached a 33-year intra-day high yesterday before closing down 0.6%. Japanese stocks have advanced almost 30% this year, underpinned by strong company results, a weak Yen and progress on corporate governance. Global bond yields are marginally higher, and the US dollar has extended recent losses.

Oil prices have continued to rally. Brent crude prices increased 2% and are now back above \$82 per barrel. Opec+ is expected to consider extending production cuts when they meet in Vienna on Sunday.

Commercial banks in China kept benchmark rates steady in November. The 1-year loan prime rate was unchanged at 3.45% while the 5-year rate was kept at 4.2%. This was in line with expectations. The 5-year rate serves as a reference point for mortgages and is quoted as a spread over the PBOC's one year policy rate which was left unchanged at 2.5% last week.

Governing Council member Wunsch said in a Bloomberg interview that the ECB may have to raise borrowing costs again if the markets pricing for easier policy undermines the bank's policy stance. Wunsch is among the more hawkish members on the council and his remarks did little to alter the pricing in money markets though EUR/USD did edge higher.

European bond yields moved higher with yields on 10-year bunds up 3bps to 2.62%. Italian bonds outperformed following Moody's decision to revise its outlook to stable from negative. The spread between 10-year Italian BTPs and German bunds has tightened from 208bps to 173bps since mid-October amid improved risk sentiment. US treasury yields were marginally higher across the curve with 10-year yields up 2bps to 4.45% ahead of the US\$16 billion 20-year auction.

The US dollar extended its recent decline. It has been under pressure amid softer than expected inflation and

activity data which has reinforced investors' expectations that the Fed tightening cycle is complete. The dollar index fell a further 0.4%.

Asian currencies have performed strongly. USD/JPY couldn't regain the psychological 150 level in Asian trade yesterday before trading 0.8% lower. Large speculative short Yen positioning could exacerbate any USD/JPY move lower. A stronger than expected PBOC fix and the general weak dollar backdrop contributed to the USD/CNH falling to the lowest level since early September.

The NZD couldn't build on the gains the local session yesterday and is close to unchanged overnight. A move higher lost momentum ahead of technical resistance in the 0.6055/60 region which has corresponded with the highs on several occasions over the past 8 weeks. NZD/AUD was stable while NZD/JPY fell back to 89.40.

NZ yields edged higher in the local session yesterday in a parallel curve shift. 10-year government bonds increased 3bps to 4.91% and are continuing to consolidate the large move lower in yield last week. Bonds underperformed relative to swaps with the benchmark 10-year government bond (April 2033) trading 15bps above the same maturity swap. Australian bond futures are 3-4bps higher in yield terms suggesting a modest upward bias for NZGB yields on the open.

NZ Local Government Funding Agency (LGFA) launched a 7-year Australian dollar issue yesterday. This follows the inaugural 5-year AUD transaction in July this year.

It is a quiet day ahead on the economic calendar. Trade data for October is released and the annual deficit is expected to contract further having reached a peak of NZ\$17 billion back in May.

Reserve Bank of Australia (RBA) Governor Bullock is speaking on a panel and the market will be looking for guidance on the bank's mild hiking bias. The minutes for the RBA's November meeting are unlikely to add additional information with the Statement on Monetary Policy having already provided insights into the recent decision to increase rates to 4.35%.

[stuart.ritson@bnz.co.nz](mailto:stuart.ritson@bnz.co.nz)

## Coming Up

	Period	Cons.	Prev.	NZT
UK	BOE's Bailey speaks			07:45
NZ	Trade Balance 12m YTD NZ\$bn	Oct	-15.3	10:45
AU	RBA's Bullock-Panel			12:00
AU	RBA Minutes of Nov. Policy Meeting			13:30

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	0.6032	+0.7	0.6005	0.6043	CHF	0.8846	-0.1	S&P 500	4,534	+0.5	14.3	Oil (Brent)	82.78	+2.7
AUD	0.6557	+0.6	0.6535	0.6563	SEK	10.450	-0.7	Dow	35,068	+0.3	3.9	Oil (WTI)	77.98	+2.7
EUR	1.0945	+0.3	1.0913	1.0952	NOK	10.695	-1.0	Nasdaq	14,239	+0.8	27.7	Gold	1976.1	-0.4
GBP	1.2507	+0.4	1.2461	1.2518	HKD	7.793	-0.0	Stoxx 50	4,342	+0.0	10.6	HRC steel	890.0	+0.0
JPY	148.29	-0.9	148.10	149.21	CNY	7.167	-0.7	FTSE	7,496	-0.1	1.5	CRB	273.6	+0.9
CAD	1.3721	-0.0			SGD	1.338	-0.4	DAX	15,901	-0.1	10.2	Wheat Chic.	570.8	-0.9
NZD/AUD	0.9199	+0.0			IDR	15,445	-0.3	CAC 40	7,247	+0.2	9.1	Sugar	27.33	+0.5
NZD/EUR	0.5511	+0.4			THB	35.18	+0.2	Nikkei	33,388	-0.6	19.5	Cotton	78.23	-0.8
NZD/GBP	0.4823	+0.3			KRW	1,292	-0.4	Shanghai	3,068	+0.5	-0.5	Coffee	170.7	+2.2
NZD/JPY	89.45	-0.1			TWD	31.63	-0.6	ASX 200	7,058	+0.1	-1.1	WM powder	3155	+2.6
NZD/CAD	0.8277	+0.7			PHP	55.53	-0.3	NZX 50	11,207	+0.3	-2.0	<b>Australian Futures</b>		
NZ TWI	70.30	+0.3										3 year bond	95.87	-0.04
												10 year bond	95.49	-0.03
<b>Interest Rates</b>								<b>NZ Government Bonds</b>				<b>NZ Swap Yields</b>		
	<b>Rates</b>				<b>Swap Yields</b>		<b>Benchmark 10 Yr Bonds</b>							
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last				Last	
USD	5.50	5.63	4.72	4.11	USD	4.45	0.02	15-Apr-25	5.15	0.02		1 year	5.53	0.00
AUD	4.35	4.38	4.40	4.82	AUD	4.51	0.04	15-Apr-27	4.76	0.03		2 year	5.10	0.02
NZD	5.50	5.63	5.10	4.78	NZD	4.91	0.03	15-May-28	4.74	0.03		5 year	4.68	0.02
EUR	4.00	3.98	3.50	3.08	GER	2.61	0.02	15-May-31	4.85	0.03		7 year	4.69	0.01
GBP	5.25	5.35	4.72	3.96	GBP	4.13	0.02	14-Apr-33	4.91	0.03		10 year	4.78	0.01
JPY	-0.01	-0.03	0.23	0.93	JPY	0.75	-0.01	15-May-41	5.17	0.03		15 year	4.88	0.01
CAD	5.00	5.50	4.78	4.04	CAD	3.68	-0.00	15-May-51	5.12	0.03				

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

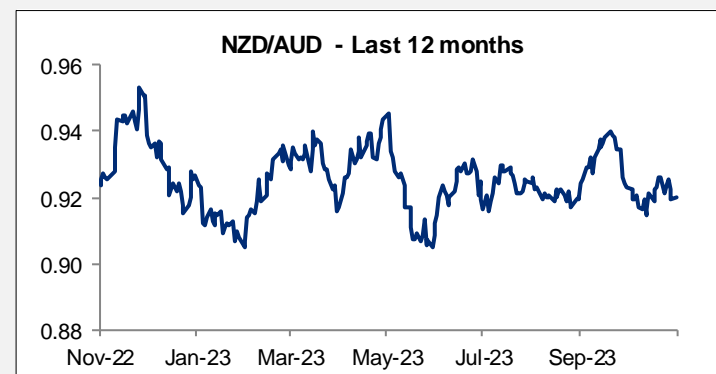
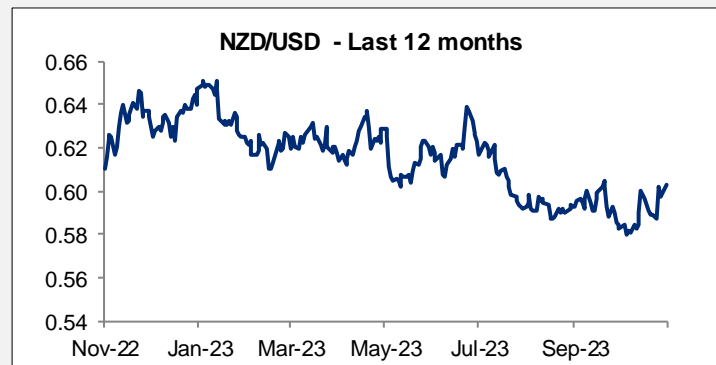
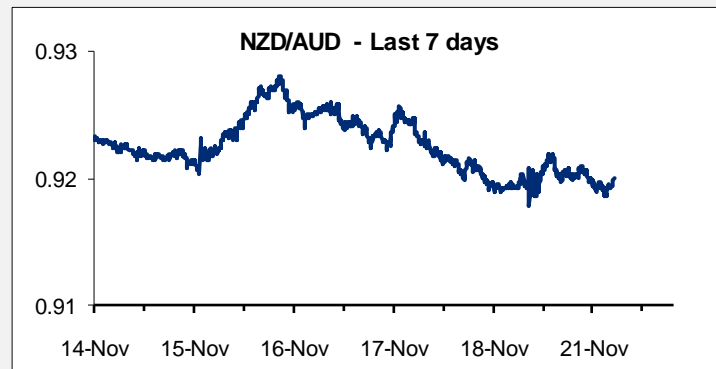
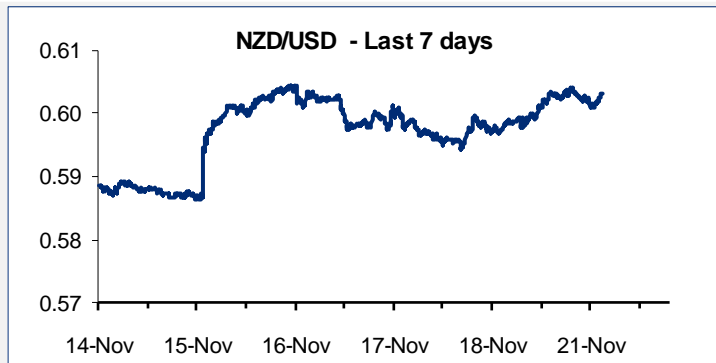
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:23

Source: Bloomberg

**NZD exchange rates**

21/11/2023 6:22 am		Prev. NY close
USD	0.6032	0.5991
GBP	0.4823	0.4807
AUD	0.9199	0.9196
EUR	0.5511	0.5489
JPY	89.45	89.64
CAD	0.8277	0.8221
CHF	0.5336	0.5306
DKK	4.1094	4.0944
FJD	1.3697	1.3713
HKD	4.7009	4.6708
INR	50.27	49.89
NOK	6.4515	6.4749
PKR	172.46	171.79
PHP	33.50	33.35
PGK	2.2390	2.2321
SEK	6.3034	6.3021
SGD	0.8072	0.8049
CNY	4.3231	4.3221
THB	21.18	21.03
TOP	1.4253	1.4047
VUV	73.40	72.67
WST	1.6591	1.6450
XPF	66.60	66.32
ZAR	11.0744	10.9989



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.12	0.37
3 Months	1.34	1.84
6 Months	1.45	2.50
9 Months	0.16	2.08
1 Year	-1.77	1.23

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.93	-7.33
3 Months	-23.29	-21.99
6 Months	-43.87	-40.88
9 Months	-60.23	-54.80
1 Year	-71.48	-63.61

# 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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