

# Research Markets Today

22 November 2023

## Events Round-Up

NZ: Trade balance (ann \$b), Oct: -14.8 vs. -15.4 prev.  
 CA: CPI (y/y%), Oct: 3.1 vs. 3.1 exp.  
 CA: Core CPI trim, median avg (y/y%), Oct: 3.55 vs. 3.6 exp.  
 US: Existing home sales (m/m%), Oct: -4.1 vs. -1.5% exp.

## Good Morning

Overnight trading conditions have been uneventful, but the NZD has managed to hold on to most of the gains seen during local trading hours from the tailwind of stronger Asian currencies. The US 10-year rate has consolidated near its recent two-month lows, with the drift down in global rates providing further support to the yen.

One of the most notable events in financial markets over the past 24 hours has been the NZD breaking key resistance of 0.6055 yesterday. Overnight, it traded a fresh three-month high of 0.6086 and it has since settled around 0.6060. It might be a little early to break the champagne, but a sustained break of that resistance level would pave the way for a higher trading range to evolve, perhaps back to the 0.60-0.64 trading range of earlier in the year.

The NZD appreciated against a backdrop of improved sentiment for Asian currencies. Of note, CNY has enjoyed much better support over the past week, requiring less heavy handedness from the PBoC, with the reference rate fix at the smallest premium to market estimates (as surveyed by Bloomberg) since July. After the CNY fix, the yuan strengthened beyond that rate for the first time in four months, another indicator of how much sentiment for the USD has recently turned in the face of increased conviction that the Fed's tightening cycle is over.

Further aiding the yuan's performance was sourced reports that Chinese regulators were drafting a list of 50 private and state-owned developers eligible for a range of financing, to alleviate some concerns that currently overhang the property sector. USD/CNY traded with a 7.12 handle at its lows and closed at 7.14.

The AUD enjoyed the same tailwind, but not to the same extent and NZD/AUD is modestly higher on the day to 0.9230.

The yen has also outperformed, playing some catch-up to the recent fall in the US 10-year rate against which USD/JPY is highly correlated. USD/JPY has fallen below 148 and traded as low as 147.15 last night. NZD/JPY has consolidated below the 90 mark.

EUR has been the weakest performer over the past 24 hours, being the only major to lose ground against the broadly weaker USD. Whether related or not, Germany faces a budget crisis after an unexpected ruling from its Constitutional court at the end of last week on the use of an off-budget vehicle that was to be used for future spending. The coalition government is now arguing amongst itself how to plug a €60b funding gap for its spending programme. EUR is down to 1.0925 and NZD/EUR is trading higher around 0.5550.

The GDT dairy auction showed flat pricing, a disappointing result, where we expected further recovery to be evident, particularly with the backdrop of increased purchasing power of Chinese buyers. While whole milk powder prices rose 1.9%, skim milk powder fell 3.8%, while cheddar showed an even larger fall, of 9.7%.

In economic news, US existing home sales fell a much larger than expected 4.1% m/m in October, a fifth consecutive monthly fall, to their lowest level since 2010, reflecting the impact of high mortgage rates. Canadian CPI figures were broadly in line with expectations, with the annual headline rate falling to 3.1% and the average of two core measures falling to 3.55%. The data reinforced the prevailing view of the Bank of Canada holding rates steady at upcoming meetings, and easier policy likely from mid next year.

The US 10-year rate is consolidating near recent lows and is currently trading around the level of the NZ close, just over 4.4%. After we went to print yesterday, the US 20-year bond auction was well supported, going better than expected, and this will help improve confidence in the Treasuries market, at least over the short-term. Germany's 10-year is down 5bps to 2.56%, investors not minding the budget crisis which would result in some fiscal austerity if not resolved.

Domestic rates trading conditions were quiet yesterday, with some modest curve flattening, with short-end rates up slightly and longer-term rates down slightly. With a light economic calendar, the US Thanksgiving holiday and the

RBNZ MPS next week, trading conditions could remain uneventful. The 10-year NZGB fell 2bps to 4.89%, slightly underperforming on a cross market basis.

After five positive trading sessions, the S&P500 shows a small fall in early afternoon trading. Market darling Nvidia, whose shares reached a record high on Monday, will report earnings after the bell and that will be a key focus for the market. Any miss relative to very high expectations would result in an outsized market reaction.

Soon after we go to press the FOMC will release the minutes from its early November policy meeting, where it left policy unchanged. Tonight, RBA Governor Bullock gives a speech titled "A Monetary Policy Fit for the Future", while only second-tier US data are released, including weekly jobless claims, durable goods orders and the final

reading of University of Michigan consumer sentiment and inflation expectations.

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### Coming Up

		Period	Cons.	Prev.	NZT
US	FOMC meeting minutes	Nov			08:00
AU	RBA's Bullock gives speech				21:35
US	Initial jobless claims (k)	18-Nov	227	231	02:30
US	Durable goods orders (m/m%)	Oct	-3.2	4.6	02:30
US	Durables ex transport. (m/m%)	Oct	0.1	0.4	02:30
US	U. of M. consumer sentiment	Nov	60.8	60.4	04:00
US	U. of M. 5-10yr inflation exp.	Nov	3.1	3.2	04:00

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	0.6056	+0.3	0.6054	0.6086	CHF	0.8835	-0.2	S&P 500	4,538	-0.2	14.9	Oil (Brent)	81.89	-0.5	
AUD	0.6562	+0.1	0.6557	0.6590	SEK	10.455	+0.0	Dow	35,100	-0.1	4.2	Oil (WTI)	77.34	-0.6	
EUR	1.0922	-0.2	1.0919	1.0964	NOK	10.657	-0.4	Nasdaq	14,198	-0.6	28.8	Gold	2002.9	+1.1	
GBP	1.2548	+0.4	1.2520	1.2559	HKD	7.795	+0.0	Stoxx 50	4,332	-0.2	10.8	HRC steel	890.0	+0.3	
JPY	147.95	-0.3	147.15	147.99	CNY	7.141	-0.4	FTSE	7,482	-0.2	1.4	CRB	276.6	+1.1	
CAD	1.3693	-0.2			SGD	1.337	-0.1	DAX	15,901	-0.0	10.6	Wheat Chic.	580.3	+1.7	
NZD/AUD	0.9229	+0.2			IDR	15,440	-0.0	CAC 40	7,229	-0.2	9.0	Sugar	27.64	+0.2	
NZD/EUR	0.5545	+0.5			THB	35.12	-0.3	Nikkei	33,354	-0.1	18.6	Cotton	77.05	-1.2	
NZD/GBP	0.4826	-0.0			KRW	1,289	-0.2	Shanghai	3,068	-0.0	-0.7	Coffee	168.0	-1.8	
NZD/JPY	89.60	+0.0			TWD	31.30	-1.0	ASX 200	7,078	+0.3	-1.4	WM powder	3180	+0.8	
NZD/CAD	0.8292	+0.1			PHP	55.37	-0.3	NZX 50	11,164	-0.4	-2.2	<b>Australian Futures</b>			
NZ TWI	70.48	+0.2										3 year bond	95.9	0.03	
<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	4.69	4.07	USD	4.41	-0.01	15-Apr-25	5.17	0.02	1 year	5.54	0.00		
AUD	4.35	4.38	4.36	4.75	AUD	4.45	-0.06	15-Apr-27	4.75	-0.01	2 year	5.12	0.02		
NZD	5.50	5.63	5.12	4.75	NZD	4.89	-0.02	15-May-28	4.73	-0.01	5 year	4.67	-0.01		
EUR	4.00	3.96	3.48	3.05	GER	2.57	-0.05	15-May-31	4.84	-0.01	7 year	4.67	-0.02		
GBP	5.25	5.35	4.76	3.96	GBP	4.11	-0.02	14-Apr-33	4.89	-0.02	10 year	4.75	-0.02		
JPY	-0.01	-0.03	0.21	0.89	JPY	0.70	-0.05	15-May-41	5.15	-0.02	15 year	4.86	-0.02		
CAD	5.00	5.50	4.76	4.02	CAD	3.66	0.00	15-May-51	5.10	-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**

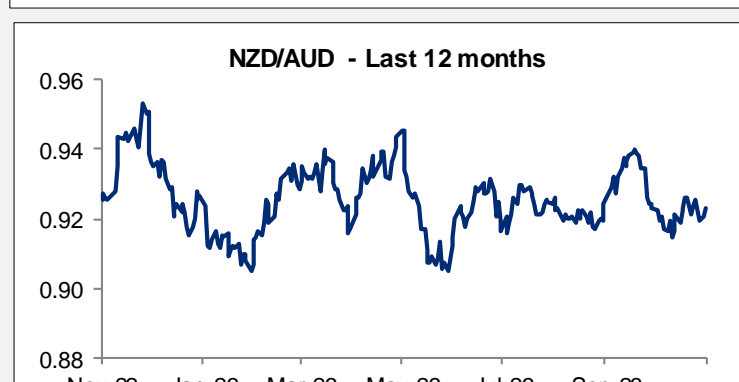
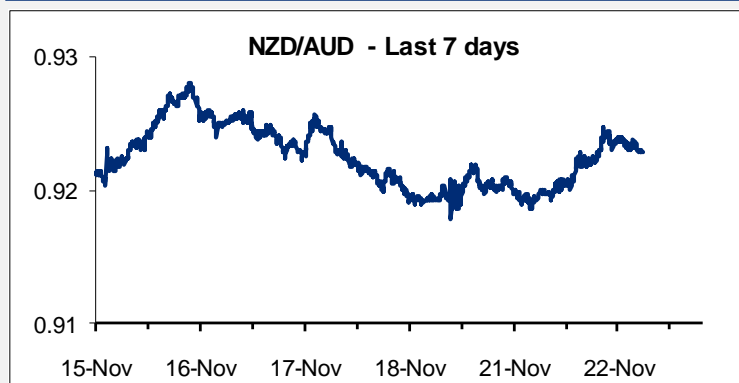
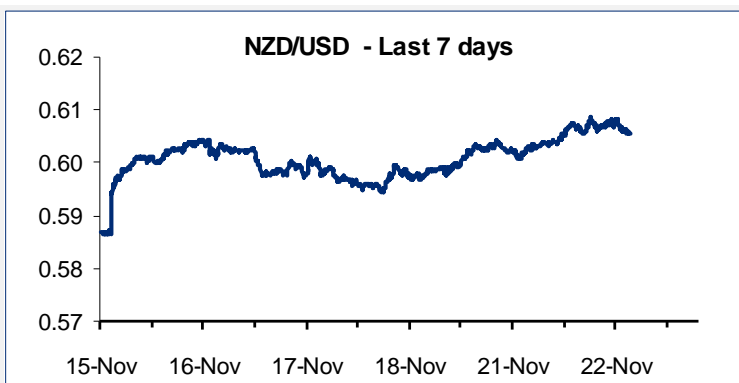
22/11/2023 6:52 am		Prev. NY close
USD	0.6056	0.6037
GBP	0.4826	0.4828
AUD	0.9229	0.9207
EUR	0.5545	0.5518
JPY	89.60	89.58
CAD	0.8292	0.8286
CHF	0.5350	0.5343
DKK	4.1333	4.1145
FJD	1.3588	1.3661
HKD	4.7208	4.7049
INR	50.48	50.32
NOK	6.4541	6.4612
PKR	173.04	172.61
PHP	33.55	33.53
PGK	2.2480	2.2409
SEK	6.3312	6.3085
SGD	0.8099	0.8079
CNY	4.3243	4.3267
THB	21.33	21.20
TOP	1.4239	1.4265
VUV	73.25	73.46
WST	1.6488	1.6607
XPF	66.83	66.65
ZAR	11.2677	11.0723

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.16	0.47
3 Months	1.17	1.67
6 Months	1.16	2.36
9 Months	-0.08	1.91
1 Year	-2.04	0.96

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.65	-7.90
3 Months	-24.17	-22.93
6 Months	-44.50	-41.28
9 Months	-61.42	-55.75
1 Year	-73.53	-64.82



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