

# Research Markets Today

23 November 2023

## Events Round-Up

US: Initial jobless claims (k), wk to 18-Nov: 209 vs. 227 exp.

US: Durable goods orders (m/m%), Oct: -5.4 vs. -3.2 exp.

US: Durables ex transport. (m/m%), Oct: 0.0 vs. 0.1 exp.

US: U. of M. consumer sentiment, Nov: 61.3 vs. 61.0 exp.

US: U. of M. 5-10yr inflation exp., Nov: 3.2 vs. 3.1 exp.

## Good Morning

US jobless claims and inflation expectations data weren't market-friendly, sending US Treasury yields higher, reversing earlier declines, while providing broad support for the USD. Thus, the NZD hasn't managed to hold onto its recent gains and has fallen to just over the 0.60 mark.

In a reflection of how fickle markets are at the moment, and their sensitivity to anything that might have an impact on the narrative that the Fed is finished tightening and will be easing next year, some second tier US economic data have moved the market.

Initial jobless claims unexpectedly fell by 24k to 209k last week, while continuing claims also fell, reversing the upward move over the prior readings. While the figures have generally been trending higher and can be volatile, they cast an element of doubt about the extent of any recent easing in labour market pressures. The final reading of University of Michigan inflation expectations showed the year-ahead measure revised up a tenth to 4.5% and the 5-10yr measure remained at 3.2%, both measures slightly higher than the consensus. The latter was the highest since 2011, raising the risk that higher inflation expectations are becoming embedded.

These data prints triggered a reversal of fortunes for the US Treasuries market. After falling to a low of 4.36%, the US 10-year rate moved higher after the jobless claims report, and higher again after the University of Michigan survey, trading as high as 4.445% and currently a basis point shy of that, up slightly from the NZ close. The curve has flattened, with the 2-year rate showing a larger reversal.

Durable goods orders were weaker than expected but this was ignored by the market, with the headline fall of 5.4% m/m in October exacerbated by reduce aircraft orders. The core figures were flat and with downward revisions.

Pantheon Macroeconomics estimates that real business equipment investment is on course for another decline in Q4, following the 3.8% annualised contraction in Q3.

The US data gave a tailwind to the USD and the DXY index is up 0.4% for the day, with all major currencies weaker. USD strength is despite higher risk appetite, with US equity markets pushing higher and the VIX index tracking below 13, towards the low for the year.

During local trading hours, key resistance for the NZD around 0.6050/60 remained in play and the currency has weakened overnight to just over 0.60. While the AUD has also been impacted by the stronger USD, a speech by RBA Governor Bullock looked to be on the hawkish side, seeing NZD/AUD fall to 0.92.

Bullock noted that "the remaining inflation challenge we are dealing with is increasingly homegrown and demand driven...a more substantial monetary policy tightening is the right response to inflation that results from aggregate demand exceeding the economy's potential to meet that demand". Alongside some AUD support, the 3-year Australian bond future immediately rose 8bps in yield terms, while the 10-year rate rose 5bps, the latter also being the net movement seen since the NZ close.

Higher US treasury yields have driven a weaker yen, with USD/JPY up through 149.50, while broad USD strength sees EUR back below 1.09 and GBP back below 1.25.

In the UK autumn Budget, Chancellor Hunt offered up tax cuts (a payroll tax cut of 2%) alongside some business-friendly measures and increased pensions and welfare benefits (linked to the higher September CPI figure than October's lower figure). This has been facilitated by higher inflation increasing tax revenue, with tax as a share of GDP still on a rising path, towards a 70-year high, and allows Hunt to meet his debt targets.

Opponents have criticised the Budget by not addressing the impact of higher inflation on public services expenditure that makes the rosier fiscal projections look unsustainable. The bond market has noted the Treasury's higher inflation track compared to the BoE, and possible inflation implications of tax cuts, and sent UK rates higher, with the 10-year Gilt up 5bps to 4.15% against a backdrop of little change in European yields.

In other news, oil prices are down 2-2½%, after the OPEC+ meeting scheduled for this weekend was delayed, with talk that Saudi Arabia is not happy with the production levels of other members – likely other countries are unwilling to cut production whilst Saudi Arabia is doing much of the work to contain supply. Brent crude is trading just over the USD80 mark.

In the domestic rates market, yields pushed higher, led by the short end, with the 5-year NZGB up 4bps, the 10-year rate up 3bps and the 30-year rate down 1bp. Swaps were up 1-2bps across the curve. Offshore moves overnight should impart further modest upside risk to yields from the open.

The economic calendar remains quiet with the key releases being the PMI data tonight for Europe. The market sees generally slightly better figures for November compared to

October. Market conditions will likely remain quiet ahead of the US Thanksgiving holiday and the shortened trading session on Friday.

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## Coming Up

		Period	Cons.	Prev.	NZT
GE	Manufacturing PMI	Nov	41.2	40.8	21:30
GE	Services PMI	Nov	48.5	48.2	21:30
EC	Manufacturing PMI	Nov	43.5	43.1	22:00
EC	Services PMI	Nov	48.1	47.8	22:00
UK	Manufacturing PMI	Nov	45	44.8	22:30
UK	Services PMI	Nov	49.5	49.5	22:30

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	0.6016	-0.5	0.5997	0.6044	CHF	0.8847	+0.1	S&P 500	4,557	+0.4	13.8	Oil (Brent)	80.58	-2.3		
AUD	0.6538	-0.3	0.6521	0.6569	SEK	10.505	+0.4	Dow	35,242	+0.4	3.4	Oil (WTI)	75.87	-2.4		
EUR	1.0879	-0.3	1.0853	1.0920	NOK	10.778	+0.9	Nasdaq	14,278	+0.5	27.8	Gold	1991.6	-0.5		
GBP	1.2477	-0.5	1.2449	1.2549	HKD	7.797	+0.0	Stoxx 50	4,352	+0.5	10.7	HRC steel	898.0	+0.9		
JPY	149.61	+0.8	148.60	149.75	CNY	7.165	+0.3	FTSE	7,470	-0.2	0.2	CRB	277.1	+0.2		
CAD	1.3715	+0.1			SGD	1.342	+0.3	DAX	15,958	+0.4	10.6	Wheat Chic.	585.3	+0.4		
NZD/AUD	0.9202	-0.3			IDR	15,575	+0.9	CAC 40	7,261	+0.4	9.1	Sugar	27.18	-2.0		
NZD/EUR	0.5530	-0.3			THB	35.26	+0.2	Nikkei	33,452	+0.3	19.0	Cotton	78.44	+1.4		
NZD/GBP	0.4822	-0.0			KRW	1,300	+0.9	Shanghai	3,044	-0.8	-1.7	Coffee	168.9	+0.2		
NZD/JPY	90.01	+0.3			TWD	31.58	+0.9	ASX 200	7,073	-0.1	-2.2	WM powder	3275	+0.5		
NZD/CAD	0.8251	-0.4			PHP	55.49	+0.2	NZX 50	11,170	+0.0	-1.4	<b>Australian Futures</b>				
NZ TWI	70.29	-0.2										3 year bond	95.91	0.01		
												10 year bond	95.48	-0.07		
<b>Interest Rates</b>																
	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	5.64	4.73	4.09	USD	4.43	0.04	15-Apr-25	5.19	0.02		1 year	5.55	0.01		
AUD	4.35	4.37	4.44	4.81	AUD	4.45	0.00	15-Apr-27	4.78	0.04		2 year	5.14	0.02		
NZD	5.50	5.63	5.14	4.76	NZD	4.92	0.03	15-May-28	4.76	0.04		5 year	4.68	0.02		
EUR	4.00	3.97	3.52	3.04	GER	2.56	-0.01	15-May-31	4.87	0.03		7 year	4.69	0.01		
GBP	5.25	5.35	4.80	4.00	GBP	4.16	0.05	14-Apr-33	4.92	0.03		10 year	4.76	0.01		
JPY	0.00	-0.03	0.21	0.93	JPY	0.73	0.02	15-May-41	5.15	0.00		15 year	4.86	0.00		
CAD	5.00	5.50	4.80	4.02	CAD	3.67	0.03	15-May-51	5.09	-0.01						

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

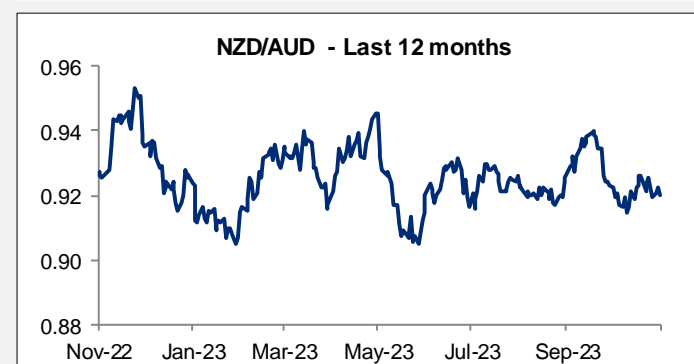
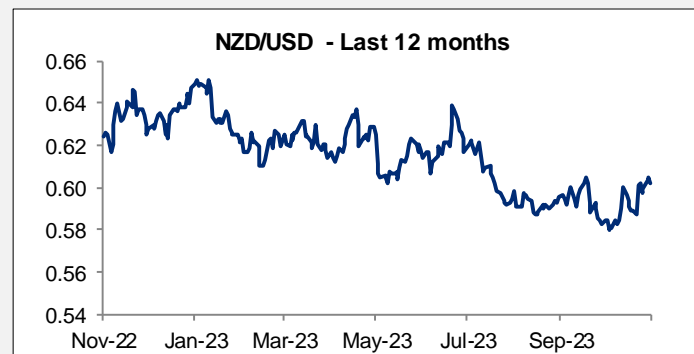
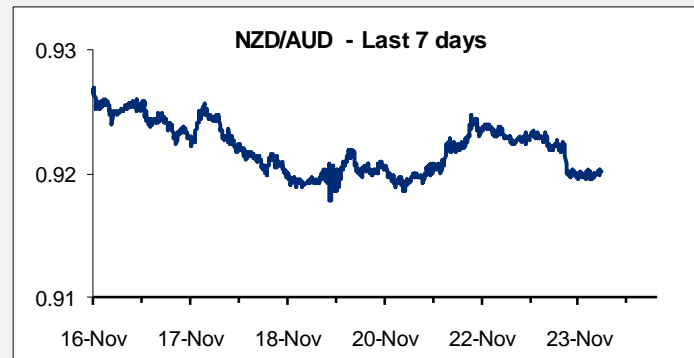
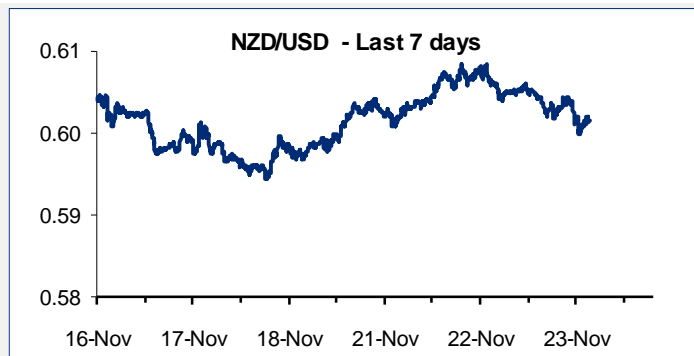
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:54

Source: Bloomberg

**NZD exchange rates**

23/11/2023 6:54 am		Prev. NY close
USD	0.6016	0.6049
GBP	0.4822	0.4824
AUD	0.9202	0.9227
EUR	0.5530	0.5544
JPY	90.01	89.76
CAD	0.8251	0.8288
CHF	0.5322	0.5346
DKK	4.1220	4.1330
FJD	1.3611	1.3655
HKD	4.6907	4.7159
INR	50.13	50.42
NOK	6.4839	6.4606
PKR	171.76	172.84
PHP	33.38	33.51
PGK	2.2406	2.2454
SEK	6.3196	6.3311
SGD	0.8075	0.8097
CNY	4.3103	4.3194
THB	21.18	21.31
TOP	1.4155	1.4223
VUV	72.78	73.16
WST	1.6488	1.6465
XPF	66.63	66.76
ZAR	11.3371	11.2750



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.13	0.57
3 Months	1.25	1.75
6 Months	1.49	2.70
9 Months	0.94	3.10
1 Year	-0.60	2.40

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.56	-7.59
3 Months	-23.77	-22.46
6 Months	-43.15	-39.91
9 Months	-58.20	-52.14
1 Year	-68.53	-59.82

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