

# Research Markets Today

24 November 2023

## Events Round-Up

GE: Manufacturing PMI, Nov: 42.3 vs. 41.2 exp.

GE: Services PMI, Nov: 48.7 vs. 48.5 exp.

EC: Manufacturing PMI, Nov: 43.8 vs. 43.5 exp.

EC: Services PMI, Nov: 48.2 vs. 48.1 exp.

UK: Manufacturing PMI, Nov: 46.7 vs. 45.0 exp.

UK: Services PMI, Nov: 50.5 vs. 49.5 exp.

## Good Morning

Markets are quiet, with the US on holiday but European bond yields have pushed higher, with slightly better than expected PMIs, a backdrop of hawkish ECB commentary and Germany suspending its debt limit all in the mix. Currency movements have been modest overnight, and the NZD has held onto its small gain seen during local trading hours and currently sits around 0.6050.

Early November readings for PMI data in Europe and UK showed a broad-based lift in activity from October and were higher than expected across the board. However, for the euro area the composite reading of 47.1 was the sixth month in a row below 50, signalling another possible fall in GDP for the quarter, which would put the economy in shallow-recession territory. For the UK, the key services index pushed above the 50-mark, taking it and the composite index to a four-month high and raising the chance that the economy expanded slightly in Q4.

Germany signalled that it would suspend the “debt brake” on government financing, following last week’s Constitutional court ruling that it couldn’t use €60b earmarked to tackle the COVID19 pandemic into an off-budget fund to tackle climate change. The ruling also likely affects the use of other off-budget vehicles.

The implication is that the government will be borrowing more money, and the prospect of more bond supply added upside pressure to German bond yields, which were already heading higher following the slightly stronger than expected PMI data. Germany’s 10-year rate is up 6bps to 2.62% while the UK 10-year rate is up 10bps to 4.26%. The US Treasuries market is closed but the 10-year future implies about a 4bps lift in yield to 4.44%.

Not helping the mood for European bond markets, ECB hawks Wunsch and Nagel have been reiterating their views that the ECB’s job on rate hikes might not yet be done. The ECB minutes of its last meeting didn’t throw up any surprises, but reminded the market that a tightening bias remained in place and the Governing Council recognised the need to avoid “unwarranted loosening of financial conditions”.

Going against the consensus view that Sweden’s Riksbank would hike rates, the central bank left its policy rate at 4.0%, against the backdrop of a weakening economy and inflation pressures. The Bank maintained a hawkish bias, but SEK has underperformed overnight, falling 0.5%.

Net currency moves have been modest. GBP has been the best performer, up 0.2% overnight to 1.2530. EUR is flat at 1.09. The NZD found some support during local trading hours, on the back of CNY tailwinds, as the PBoC continues to fix the CNY reference rate on the strong side of the ledger, not deterred by its recent recovery. Some resistance for the NZD was met around 0.6065 and it currently trades near 0.6050. The AUD is also modestly stronger, at 0.6560, with NZD/AUD range trading around 0.9220. The higher global rates backdrop has driven some yen underperformance, seeing NZD/JPY back above 90.

In equity markets, the Euro Stoxx 600 index closed 0.3% higher while US S&P 500 futures are flat.

In the domestic rates markets, strong demand for NZ bonds continues to be evident, with another solid weekly tender. Bid-cover ratios were high across all lines, particularly for the longer maturities on offer. Against a backdrop of higher global rates, the 10-year NZGB closed the day unchanged at 4.92%. There was some notable curve flattening, with the 5-year rate up 5bps, while the ultra-long bonds fell 1bp. The swaps curve also flattened, with the 2-year rate up 7bps to 5.21% and the 10-year rate up 2bps to 4.78%.

On the calendar, NZ retail sales volumes for Q3 will be released, where the consensus sees yet another contraction, which would make it the sixth fall out of the past seven quarters. Global releases include Japan CPI, Germany’s IFO survey of businesses and US PMIs.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Real retail sales (q/q%)	Q3	-0.7	-1.0	10:45
JN	CPI (y/y%)	Oct	3.4	3.0	12:30
JN	CPI ex fresh food, energy (y/y%)	Oct	4.1	4.2	12:30
UK	GfK consumer confidence	Nov	-28	-30	13:01
GE	IFO expectations	Nov	85.9	84.7	22:00
CA	Retail sales ex auto (m/m%)	Sep	-0.1	0.1	02:30
US	Manufacturing PMI	Nov	49.9	50.0	03:45
US	Services PMI	Nov	50.3	50.6	03:45

Source: Bloomberg, BNZ

Indicative overnight ranges (*)						Other FX			Equities				Commodities**				
							Major Indices				Price						
Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day				
NZD	0.6046	+0.4	0.6035	0.6067	CHF	0.8838	-0.0	S&P 500	4,557	+0.4	13.1	Oil (Brent)	81.32	-0.8			
AUD	0.6559	+0.2	0.6551	0.6575	SEK	10.488	+0.1	Dow	35,273	+0.5	3.2	Oil (WTI)	76.29	-1.0			
EUR	1.0904	+0.1	1.0887	1.0930	NOK	10.772	+0.2	Nasdaq	14,266	+0.5	26.4	Gold	1993.4	+0.0			
GBP	1.2531	+0.3	1.2501	1.2564	HKD	7.798	+0.0	Stoxx 50	4,361	+0.2	10.5	HRC steel	898.0	+0.9			
JPY	149.63	+0.1	148.89	149.69	CNY	7.148	-0.2	FTSE	7,484	+0.2	0.2	CRB	275.1	-0.7			
CAD	1.3700	+0.1			SGD	1.341	-0.1	DAX	15,995	+0.2	10.9	Wheat Chic.	584.5	+0.3			
NZD/AUD	0.9218	+0.1			IDR	15,553	-0.1	CAC 40	7,278	+0.2	9.0	Sugar	27.22	-1.9			
NZD/EUR	0.5545	+0.3			THB	35.28	+0.1	Nikkei	33,452	+0.3	19.0	Cotton	79.58	+2.9			
NZD/GBP	0.4825	+0.1			KRW	1,297	-0.2	Shanghai	3,062	+0.6	-0.9	Coffee	169.1	+0.3			
NZD/JPY	90.47	+0.5			TWD	31.48	-0.3	ASX 200	7,029	-0.6	-2.9	WM powder	3255	-0.6			
NZD/CAD	0.8283	+0.5			PHP	55.40	-0.2	NZX 50	11,188	+0.2	-1.2	<b>Australian Futures</b>					
NZ TWI	70.51	+0.3										3 year bond	95.85	-0.06			
												10 year bond	95.46	-0.04			
<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	Net Day		Last	Net Day		Last	Net Day	
USD	5.50	5.64	4.72	4.06	USD	4.40	0.00	15-Apr-25	5.27	0.08	1 year	5.58	0.03				
AUD	4.35	4.40	4.46	4.84	AUD	4.48	0.04	15-Apr-27	4.84	0.06	2 year	5.21	0.07				
NZD	5.50	5.63	5.21	4.78	NZD	4.92	0.00	15-May-28	4.81	0.05	5 year	4.73	0.04				
EUR	4.00	3.96	3.55	3.10	GER	2.62	0.06	15-May-31	4.89	0.02	7 year	4.71	0.03				
GBP	5.25	5.35	4.87	4.08	GBP	4.26	0.10	14-Apr-33	4.92	0.00	10 year	4.78	0.02				
JPY	-0.01	-0.03	0.21	0.93	JPY	0.73	0.00	15-May-41	5.14	-0.01	15 year	4.88	0.01				
CAD	5.00	5.50	4.80	4.04	CAD	3.69	0.03	15-May-51	5.08	-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 06:51

Source: Bloomberg

**NZD exchange rates**

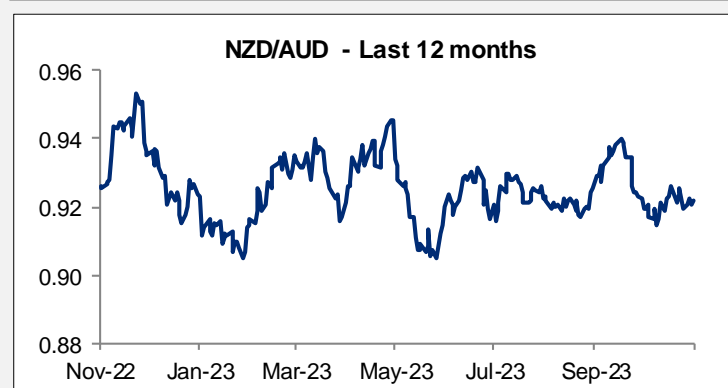
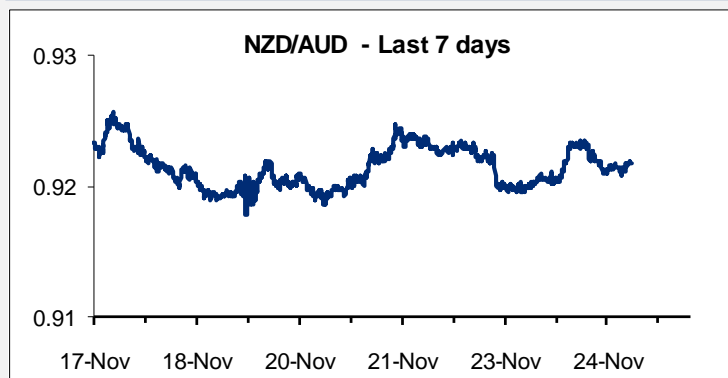
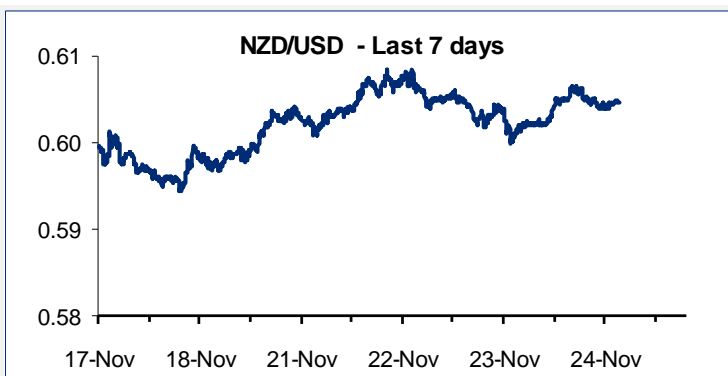
24/11/2023 6:51 am		Prev. NY close
USD	0.6046	0.6022
GBP	0.4825	0.4820
AUD	0.9218	0.9204
EUR	0.5545	0.5531
JPY	90.47	90.05
CAD	0.8283	0.8242
CHF	0.5343	0.5323
DKK	4.1342	4.1228
FJD	1.3710	1.3634
HKD	4.7144	4.6951
INR	50.39	50.18
NOK	6.5127	6.4768
PKR	172.61	172.07
PHP	33.50	33.41
PGK	2.2518	2.2428
SEK	6.3412	6.3092
SGD	0.8108	0.8081
CNY	4.3214	4.3146
THB	21.32	21.20
TOP	1.4243	1.4169
VUV	73.27	72.60
WST	1.6582	1.6503
XPF	66.89	66.67
ZAR	11.3738	11.3733

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.05	0.60
3 Months	1.20	1.71
6 Months	1.22	2.72
9 Months	-0.65	1.79
1 Year	-2.93	0.07

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.08	-6.81
3 Months	-23.29	-21.87
6 Months	-43.00	-39.33
9 Months	-58.51	-51.92
1 Year	-68.87	-60.17



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