

Research Markets Today

26 October 2023

Events Round-Up

AU: CPI (y/y%), Q3: 5.4 vs. 5.3 exp.
 AU: CPI trimmed mean (y/y%), Q3: 5.2 vs 5.0 exp.
 AU: CPI trimmed mean (q/q%), Q3: 1.2 vs. 1.0 exp.
 GE: IFO expectations, Oct: 84.7 vs. 83.5 exp.
 CA: Bank of Canada policy rate (%), Oct: 5.0 vs. 5.0 exp.
 US: New home sales (k), Sep: 759 vs. 680 exp.

Good Morning

US equities traded lower with the S&P down close to 1.5% in afternoon trade as US treasury yields moved sharply higher. The move in treasuries contributed to a stronger US dollar. European stocks ended little changed while initial gains by Asian equities, after China announced new debt issuance and a higher budget deficit, faded. The Hang Seng China Enterprises Index was up more than 3% intraday before closing 1% higher.

The outlook for German businesses improved marginally with the IFO expectations index increasing to 84.7, up from 83.1 in September. This paints a slightly more optimistic picture than the advance PMIs, released earlier in the week, where the composite index fell further into contractionary territory.

In the US, new home sales rose 12.3% to 759K in September, which is well above the consensus of 680K and the fastest pace since early 2022. The rise was attributed to a shift towards purchases of new homes given the lack of existing home supply.

The Bank of Canada (BoC) kept rates steady at 5.0% for the third consecutive meeting. The bank downgraded its growth projections pointing to subdued consumption and higher borrowing costs. However, the BoC retained a tightening bias and said is prepared to hike rates further if needed as 'progress towards price stability is slow' and it also noted some upside risks to inflation have increased.

US treasury yields moved higher amid expectations that increased auction sizes will be announced next week. The sell-off was also supported by stronger than expected new home sales data. The longer end of the curve underperformed in a bear steepening adjustment which saw the 2y/10y curve approach its recent highs. US 10-year yields increased 13bp to 4.95% and have now retraced

more than half of the of the decline from multi-year highs above 5% earlier in the week. The US\$52 billion 5-year note auction attracted weak demand with the bid/cover ratio the lowest since September last year.

The US dollar was stronger in offshore trade supported by the move higher in treasury yields and risk off tone in US equities. In the majors EUR/USD dipped towards 1.0570 while USD/JPY edged back above the 150 level. This area has been the top of the trading range for USD/JPY on several occasions over the past month. The Canadian dollar lost ground following the BoC decision with USD/CAD reaching the highest level since March.

The Australian dollar was not able to sustain the gains following the above expectations inflation data yesterday and was the worst performing G10 currency overnight. NZD/AUD, which dipped to near 0.9160 in the local session, managed to retrace all the post-CPI losses in offshore trade. Meanwhile NZD/USD was under pressure, set against the background of a stronger US Dollar, and traded to fresh lows for 2023 below 0.5810.

NZ fixed interest markets moved lower in yield in the local session yesterday in a largely parallel move across the government curve. 10-year government bond yields fell 5bp to 5.41% outperforming relative to swaps. There was further compression in cross market spreads to Australia following the CPI data which saw the market price a more than 50% chance of a 25bp hike by the RBA in November. Australian 3-year bond futures are about 3bp higher in yield since the local close yesterday while 10-year yields are up close to 9bps suggesting an upward bias for NZGB yields on the open.

New Zealand Debt Management is tendering NZ\$500 million of nominal NZGBs today split across 15 Apr 2027 (\$200m), 14 Apr 2033 (\$200m) and 15 May 2051 (\$100m). The tender schedule for November was released yesterday and didn't provide additional information about the timing of the syndications – new 2035 and 2054 nominal lines – that were announced alongside Pre-election Economic and Fiscal Update in September.

There is no local or regional data of note today. The ECB is expected to leave rates unchanged at 4%, a level which will likely mark the peak for the cycle. There are no updated forecasts for this meeting. Although discussions about ending the reinvestment of Pandemic Emergency Purchase

Program (PEPP) may take place, any decision is not likely till early 2024. Q3 GDP data should confirm the strength in the US economy.

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Coming Up

		Period	Cons.	Prev.	NZT
EC	ECB Deposit Facility Rate	Oct	4	4	01:15
US	Advance Goods Trade Balance	Sep	-86	-84.3	01:30
US	GDP Annualized QoQ	3Q A	4.5	2.1	01:30
US	Durable Goods Orders	Sep P	1.8	0.1	01:30
US	Core PCE Price Index QoQ	3Q A	2.5	3.7	01:30
US	Durables Ex Transportation	Sep P	0.2	0.4	01:30
US	Initial Jobless Claims	Oct 21	207	198	01:30
US	Pending Home Sales MoM	Sep	-2.05	-7.1	03:00

Source: Bloomberg, BNZ

Indicative overnight ranges (*)							Other FX		Equities				Commodities**		
	Last	% Day	Low	High		Last	% Day	Major Indices		Price		Australian Futures			
									Last	% Day	% Year	Last	Net Day		
NZD	0.5807	-0.7	0.5806	0.5859	CHF	0.8967	+0.4	S&P 500	4,194	-1.4	8.7	Oil (Brent)	89.56	+1.8	
AUD	0.6307	-0.8	0.6307	0.6383	SEK	11.151	+0.3	Dow	33,031	-0.3	3.8	Oil (WTI)	84.84	+1.5	
EUR	1.0566	-0.2	1.0566	1.0604	NOK	11.198	+0.2	Nasdaq	12,819	-2.5	14.5	Gold	1984.1	+0.4	
GBP	1.2115	-0.4	1.2114	1.2172	HKD	7.822	-0.0	Stoxx 50	4,073	+0.2	13.6	HRC steel	827.0	+1.8	
JPY	149.99	+0.1	149.82	150.05	CNY	7.317	+0.1	FTSE	7,414	+0.3	5.7	CRB	281.9	-0.5	
CAD	1.3793	+0.4			SGD	1.372	+0.2	DAX	14,892	+0.1	14.1	Wheat Chic.	598.3	-1.4	
NZD/AUD	0.9207	+0.1			IDR	15,870	+0.1	CAC 40	6,915	+0.3	10.6	Sugar	27.63	+0.5	
NZD/EUR	0.5496	-0.4			THB	36.22	+0.1	Nikkei	31,270	+0.7	14.0	Cotton	83.86	+1.1	
NZD/GBP	0.4793	-0.3			KRW	1,349	+0.5	Shanghai	2,974	+0.4	-0.8	Coffee	162.3	-3.9	
NZD/JPY	87.10	-0.6			TWD	32.38	+0.3	ASX 200	6,854	-0.0	0.6	WM powder	3140	-4.0	
NZD/CAD	0.8010	-0.3			PHP	56.86	+0.2	NZX 50	10,884	-0.7	-1.5	Australian Futures			
NZ TWI	69.27	-0.4										3 year bond	95.73	-0.10	
												10 year bond	95.16	-0.13	

Interest Rates													
	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	5.01	4.61	USD	4.95	0.12	15-Apr-25	5.58	-0.02	1 year	5.75	-0.01
AUD	4.10	4.24	4.50	5.11	AUD	4.72	0.03	15-Apr-27	5.24	-0.04	2 year	5.56	-0.02
NZD	5.50	5.64	5.56	5.25	NZD	5.40	-0.05	15-May-28	5.25	-0.04	5 year	5.19	-0.04
EUR	4.00	3.94	3.73	3.44	GER	2.89	0.06	15-May-31	5.37	-0.04	7 year	5.19	-0.03
GBP	5.25	5.38	5.07	4.47	GBP	4.61	0.07	14-Apr-33	5.40	-0.05	10 year	5.25	-0.02
JPY	-0.02	-0.03	0.24	1.07	JPY	0.86	0.01	15-May-41	5.61	-0.05	15 year	5.32	-0.02
CAD	5.00	5.59	5.20	4.59	CAD	4.13	0.12	15-May-51	5.56	-0.04			

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

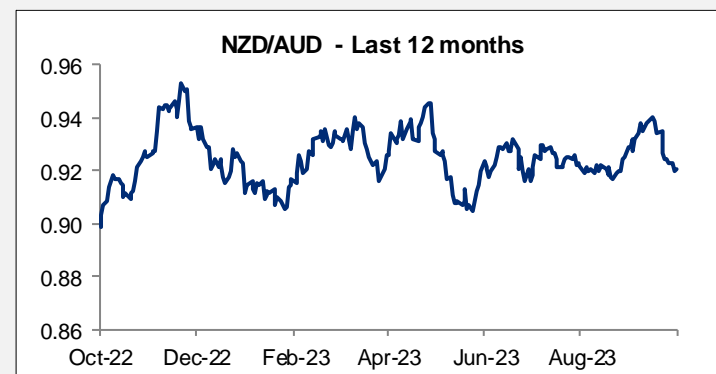
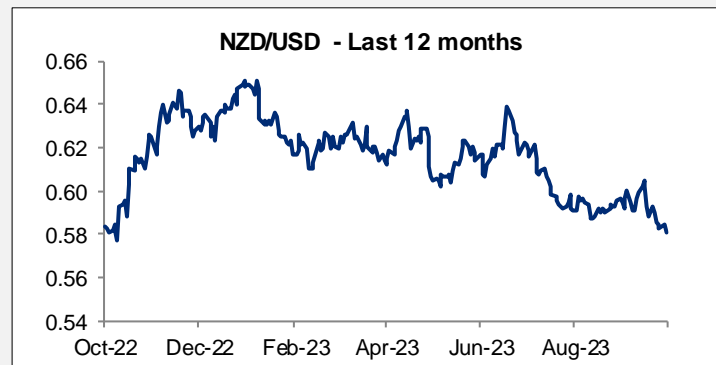
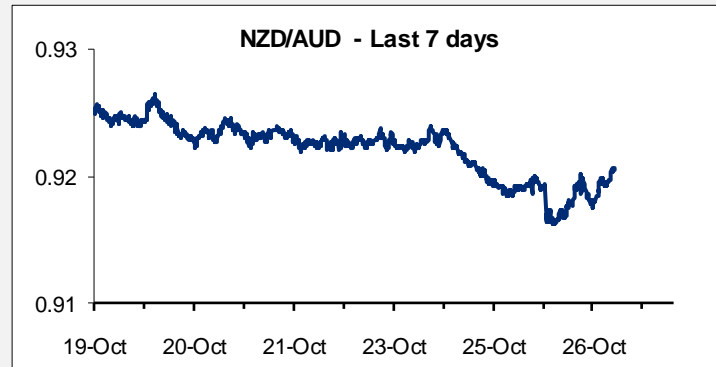
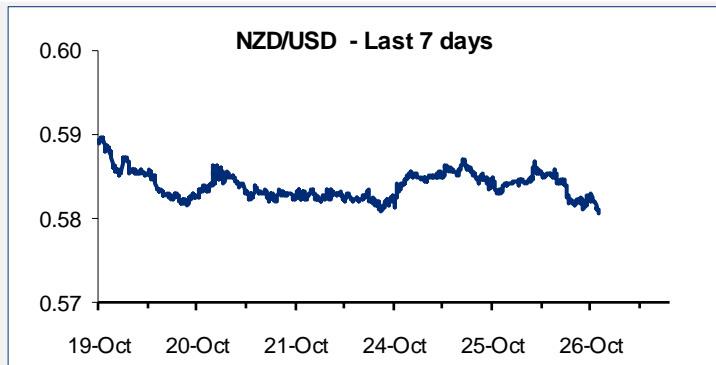
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:43

Source: Bloomberg

NZD exchange rates

25/10/2023 6:43 am		Prev. NY close
USD	0.5807	0.5844
GBP	0.4793	0.4806
AUD	0.9207	0.9196
EUR	0.5496	0.5518
JPY	87.10	87.61
CAD	0.8010	0.8030
CHF	0.5207	0.5220
DKK	4.1019	4.1189
FJD	1.3282	1.3413
HKD	4.5424	4.5719
INR	48.31	48.62
NOK	6.5024	6.5269
PKR	162.56	163.12
PHP	33.02	33.18
PGK	2.1412	2.1565
SEK	6.4756	6.4986
SGD	0.7967	0.7998
CNY	4.2490	4.2726
THB	21.02	21.14
TOP	1.3574	1.3629
VUV	71.62	72.07
WST	1.6037	1.6142
XPF	65.41	65.73
ZAR	11.1100	11.1284



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.15	0.45
3 Months	1.05	1.55
6 Months	1.65	2.67
9 Months	-0.08	1.92
1 Year	-4.58	-1.58

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.58	-8.81
3 Months	-28.06	-26.79
6 Months	-51.26	-48.22
9 Months	-71.65	-66.32
1 Year	-90.81	-81.75

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