

27 November 2017



## Events Round-Up

NZ: Trade balance (\$m), Oct: -871 vs. -760 exp.

GE: IFO expectations, Nov: 111.0 vs. 108.8 exp.

US: Markit manufacturing PMI, Nov P: 53.8 vs. 55.0 exp.

US: Markit services PMI, Nov P: 54.7 vs. 55.3 exp.

## Good Morning

Friday trading was subdued, as expected, with the US still in holiday mode. The USD continued to drift lower, with EUR the key beneficiary.

The S&P500 rose by 0.2%, closing at another record high on Friday, driven by the IT sector. The VIX index closed at 9.7, nudging back down towards historically low levels and the mid-month spike up now a distant memory.

There was little news to driven the price action, just ongoing optimism about the growth outlook amidst the strongest global economic conditions since the GFC. Germany's IFO measure of business confidence rose to a record high in November, following on from the positive euro-area PMI indicators released the previous day. This helped boost demand for the euro alongside indications that political risk for Germany is no longer a big deal. Germany's biggest opposition party SPD said that it was open to talks on backing a coalition government led by Merkel.

EUR was the best performer, rising 0.7% to 1.1935 and looking like breaking back up through the 1.20 mark again soon. NZD/EUR closed the week around 0.5765, with the previous Friday's plunge down to 0.5744 threatened, but not broken (yet).

The stronger euro spilled over into other European currencies, including GBP, which continues to be supported by improving sentiment that some transitional deal on Brexit will be made at the mid-December EU summit. Apparently UK PM May has until 4 December to

make a new offer, including a higher divorce bill and a more palatable offer on the Irish border issue. An attractive offer might then lead to the beginning of trade talks, something that would support the currency further if so. GBP was up 0.2% to 1.3340.

A stronger EUR and GBP were behind a further nudge down in the various USD indicators, with the DXY down 0.5% to a 2-month low, continuing its poor run through November.

Other currency movements on Friday were insignificant. The NZD remained tightly range-bound and the ended the week around 0.6880. NZD/AUD was flat at 0.9030.

WTI crude oil rose to a 2-year high around \$59 as OPEC and Russia were said to have agreed on a framework to extend supply cuts. Brent crude made that milestone earlier in the month and closed the week just under the \$64 mark. CAD didn't seem to be affected by the more positive tone to the oil market and was flat at 1.2710.

In a shortened and quiet trading session, US Treasury rates rose by 2bps across the curve, with the 10-year rate closing the week at 2.34%. Local rates showed only small movements, no more than 1bp across the curve. There shouldn't be much price action ahead with little on the economic calendar as the new week begins. Later in the week we hear from Yellen and her replacement as Chair, Powell, while focus will shift back to US tax policy as the Senate votes on the tax reform bill. Locally, the Financial Stability Review will be of some interest on Wednesday, as the RBNZ sets out a roadmap for the relaxation of LVR restrictions.

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## Coming Up

	Period	Cons.	Prev.	NZT
US New home sales ('000)	Oct	625	667	04:00

Source: Bloomberg, BNZ

Foreign Exchange						Equities				Commodities**					
Indicative overnight ranges (*)				Other FX		Major Indices				Price					
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.6879	-0.2	0.6866	0.6890	CHF	0.9795	-0.2	17.6	S&P 500	2,602	+0.2	17.6	Oil (Brent)	63.86	+0.5
AUD	0.7617	-0.1	0.7607	0.7627	SEK	8.278	-0.2	23.0	Dow	23,558	+0.1	23.0	Oil (WTI)	58.95	+1.6
EUR	1.1933	+0.7	1.1837	1.1944	NOK	8.130	-0.1	27.6	Nasdaq	6,889	+0.3	27.6	Gold	1287.3	-0.4
GBP	1.3337	+0.2	1.3279	1.3360	HKD	7.808	-0.0	17.5	Stoxx 50	3,581	+0.3	17.5	HRC steel	611.0	+0.0
JPY	111.53	+0.3	111.30	111.60	CNY	6.602	+0.3	8.3	FTSE	7,410	-0.1	8.3	CRB	192.2	+0.3
CAD	1.2712	-0.0			SGD	1.346	+0.0	22.1	DAX	13,060	+0.4	22.1	Wheat Chic.	434.8	-1.4
NZD/AUD	0.9031	-0.1			IDR	13,504	-0.1	18.5	CAC 40	5,390	+0.1	18.5	Sugar	15.45	+1.1
NZD/EUR	0.5765	-0.8			THB	32.68	+0.0	22.7	Nikkei	22,551	+0.1	22.7	Cotton	72.23	+2.1
NZD/GBP	0.5158	-0.3			KRW	1,085	-0.0	2.8	Shanghai	3,354	+0.1	2.8	Coffee	127.6	+0.4
NZD/JPY	76.72	+0.1			TWD	29.97	+0.0	8.6	ASX 200	5,983	-0.1	8.6	WMI powder	2865.0	+0.9
NZD/CAD	0.8745	-0.2			PHP	50.68	+0.1	17.8	NZX 50	8,130	+0.3	17.8	<b>Australian Futures</b>		
NZ TWI	72.64	-0.2											3 year bond	98.07	0.00
													10 year bond	97.47	-0.02

  

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	1.25	1.46	1.92	2.34	USD	2.34	0.02	NZGB 3 04/15/20	1.95	0.01	1 year	2.00	0.00
AUD	1.50	1.73	1.88	2.72	AUD	2.50	-0.00	NZGB 6 05/15/21	2.09	0.00	2 year	2.16	0.01
NZD	1.75	1.91	2.16	3.11	NZD	2.78	-0.01	NZGB 5 1/2 04/15/23	2.37	0.00	5 year	2.61	0.01
EUR	0.00	0.06	-0.17	0.82	GER	0.36	0.01	NZGB 2 3/4 04/15/25	2.63	0.00	7 year	2.85	0.01
GBP	0.50	0.52	0.83	1.32	GBP	1.25	0.00	NZGB 4 1/2 04/15/27	2.78	-0.01	10 year	3.11	0.01
JPY	-0.05	-0.03	0.04	0.25	JPY	0.03	0.00	NZGB 3 1/2 04/14/33	3.15	-0.01	15 year	3.35	0.02
CAD	1.00	1.17	1.77	2.20	CAD	1.89	-0.01	NZGB 2 3/4 04/15/37	3.37	-0.00			

\* 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: NY close Sat 11am

Source: Bloomberg

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