

Research Markets Today

27 November 2023

Events Round-Up

NZ: Real retail sales (q/q%), Q3: 0.0 vs. -0.7 exp.
 JN: CPI (y/y%), Oct: 3.3 vs. 3.4 exp.
 JN: CPI ex fresh food, energy (y/y%), Oct: 4.0 vs. 4.1 exp.
 UK: GfK consumer confidence, Nov: -24 vs. -28 exp.
 GE: IFO expectations, Nov: 85.2 vs. 85.9 exp.
 CA: Retail sales ex auto (m/m%), Sep: 0.2 vs. -0.1 exp.
 US: Manufacturing PMI, Nov: 49.4 vs. 49.9 exp.
 US: Services PMI, Nov: 50.8 vs. 50.3 exp.

Good Morning

It was a subdued end to the trading week across global markets in the absence of first-tier economic releases and with a holiday-shortened session for US markets. The S&P was near unchanged, and closed 1% higher on the week, which was the fourth straight weekly advance. The US Dollar extended recent declines, global bond yields moved higher and oil prices fell after OPEC+ delayed a scheduled meeting amid a dispute about output quotas.

Japanese inflation rebounded to 3.3% y/y in October which was marginally below the median estimate of 3.4%. The core measure excluding energy and fresh food increased 4.0%. Inflation has now been above the Bank of Japan's 2% target for 19 months. Inflation dynamics don't align with the central bank's ultra-easy policy settings pointing towards normalisation, albeit gradually, next year. JGBs increased 5 bps to 0.76%.

UK consumer confidence rose more than expected in November raising expectations for higher spending in the festive season and dampening hopes for a cut in interest rates. The GfK measure covering personal finances and broader economic prospects increased to -24, up from -30 in October.

Bank of England chief economist Huw Pill, who earlier this month appeared to endorse easier monetary policy, sounded more hawkish in an interview with the Financial Times. He said the bank will not relent in its fight against inflation despite signs the UK economy is weakening. The market is pricing ~20% chance of a 25bps hike by February before pivoting to rate cuts from mid-2024.

The business outlook in Germany appears to be stabilising. The Ifo institute's gauge of business expectations edged

higher to 85.2 from 84.7 in October. The Ifo president, Clemens Fuest, said sentiment among companies has improved slightly and the 'German economy is stabilising, albeit at a low level'. Separately, it was confirmed that the economy contracted 0.1% in Q3 following weak consumer spending while high energy prices and restrictive monetary policy are headwinds for manufacturers.

US treasury yields opened higher after the Thanksgiving holiday taking direction from European markets. Bund yields had moved higher on concerns about increased supply in Germany after the suspension of the constitutional limit on new borrowing. US 10-year yields increased 6bps to 4.47%. The release of the composite PMI, which marginally beat expectations, corresponded with a modest lift in yields. The US Treasury will auction US\$54 billion in 2-year notes tomorrow morning (NZT).

The US dollar remained under pressure on Friday night with the dollar index (DXY) falling a further 0.5%. The DXY has retraced 50% of the July to October rally and is unchanged from the start of 2023. State Street, which is custodian to \$40tn of assets, noted that investors have made 'significant' dollar sales every day since the start of November and that positioning is still overweight.

The pound outperformed following the jump in consumer confidence and traded at its strongest level against the dollar since early September. Meanwhile the low-yielding G10 currencies – yen and Swiss franc - underperformed though still made most gains against the dollar.

NZD/USD traded steadily higher in offshore trade Friday and closed close to the session highs at 0.6090 which was the highest level in 3-months. The NZ dollar was marginally stronger against the AUD and made gains of close to 0.5% against the yen and Chinese yuan. NZD/USD looks set to test the 200-day moving average at 0.6148.

NZ yields moved higher in the local session on Friday reflecting the moves in offshore markets. 10-year government yields increased 6bps to 4.99% in a parallel curve shift. Bonds outperformed swaps with 10-year swap spreads widening by 2bps. Australian bond futures are 2-3bps lower in yield from the local close on Friday.

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Coming Up

	Period	Cons.	Prev.	NZT
US New Home Sales (ann '000)	Oct	723	759	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	0.5991	+0.3	0.5941	0.5997	CHF	0.8857	-0.3	S&P 500	4,514	+0.1	14.4	Oil (Brent)	80.61	+4.1
AUD	0.6515	+0.7	0.6453	0.6514	SEK	10.519	-0.7	Dow	34,947	+0.0	4.2	Oil (WTI)	75.89	+4.1
EUR	1.0913	+0.6	1.0825	1.0905	NOK	10.808	-1.2	Nasdaq	14,125	+0.1	26.7	Gold	1984.7	-0.1
GBP	1.2463	+0.4	1.2374	1.2458	HKD	7.796	-0.1	Stoxx 50	4,341	+0.9	10.6	HRC steel	890.0	+0.0
JPY	149.63	-0.7	149.20	150.70	CNY	7.214	-0.4	FTSE	7,504	+1.3	1.6	CRB	273.6	+0.9
CAD	1.3720	-0.2			SGD	1.344	-0.3	DAX	15,919	+0.8	10.3	Wheat Chic.	575.8	-0.9
NZD/AUD	0.9196	-0.3			IDR	15,493	-0.4	CAC 40	7,234	+0.9	8.9	Sugar	27.18	-0.0
NZD/EUR	0.5490	-0.2			THB	35.11	-0.3	Nikkei	33,585	+0.5	20.4	Cotton	78.92	+0.3
NZD/GBP	0.4807	-0.1			KRW	1,297	-0.0	Shanghai	3,054	+0.1	-1.4	Coffee	166.7	-2.7
NZD/JPY	89.64	-0.5			TWD	31.81	-0.3	ASX 200	7,049	-0.1	-1.4	WM powder	3075	-1.1
NZD/CAD	0.8220	+0.1			PHP	55.67	-0.2	NZX 50	11,177	-0.5	-1.8	Australian Futures		
NZ TWI	70.03	-0.1										3 year bond	95.91	0.09
												10 year bond	95.52	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		Last		
USD	5.50	5.63	4.71	4.09	USD	4.44	-0.00	15-Apr-25	5.13	-0.05	1 year	5.53	-0.02	
AUD	4.35	4.38	4.37	4.78	AUD	4.47	-0.09	15-Apr-27	4.73	-0.09	2 year	5.08	-0.08	
NZD	5.50	5.63	5.08	4.77	NZD	4.88	-0.10	15-May-28	4.71	-0.10	5 year	4.66	-0.11	
EUR	4.00	4.00	3.48	3.08	GER	2.59	-0.00	15-May-31	4.82	-0.10	7 year	4.68	-0.10	
GBP	5.25	5.35	4.71	3.93	GBP	4.10	-0.05	14-Apr-33	4.88	-0.10	10 year	4.77	-0.10	
JPY	-0.02	-0.03	0.22	0.92	JPY	0.76	-0.04	15-May-41	5.14	-0.07	15 year	4.87	-0.10	
CAD	5.00	5.50	4.82	4.04	CAD	3.68	0.00	15-May-51	5.10	-0.05				

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

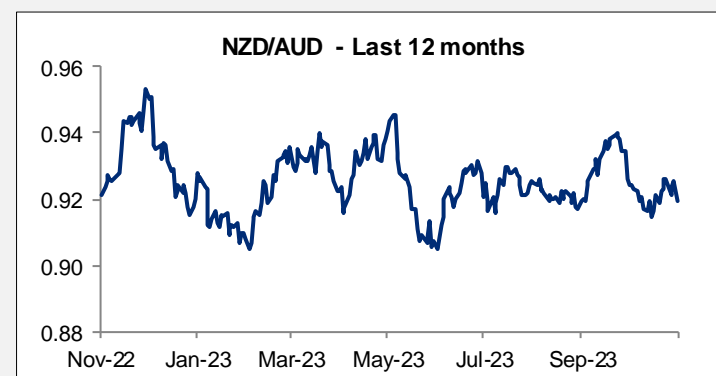
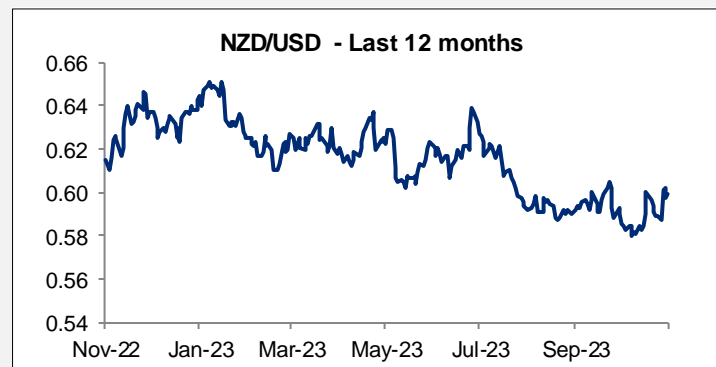
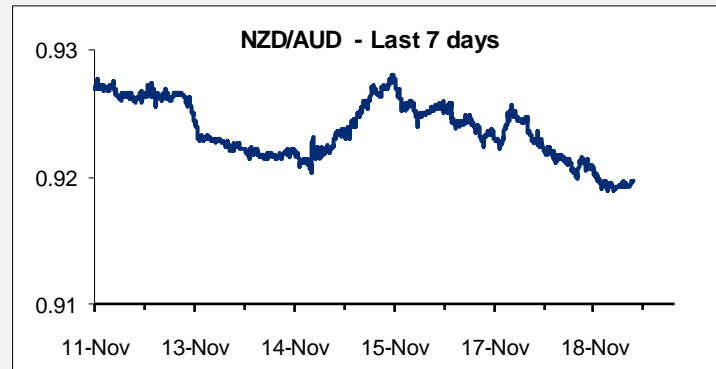
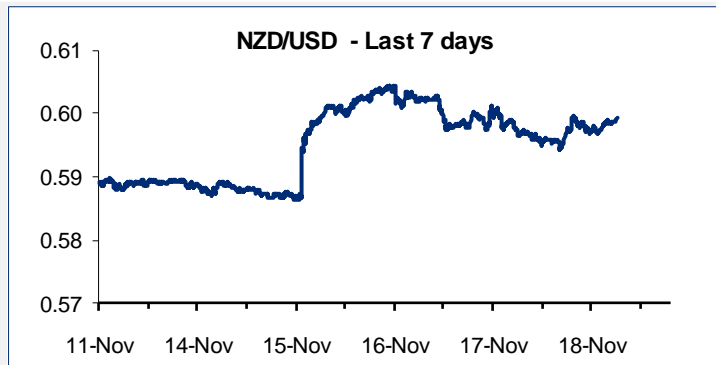
** All near futures contracts, except CRB. Metals prices are CME.

Rates at NY close

Source: Bloomberg

NZD exchange rates

18/11/2023	NY close	Prev. NY close
USD	0.5991	0.5971
GBP	0.4807	0.4810
AUD	0.9196	0.9229
EUR	0.5490	0.5502
JPY	89.64	90.00
CAD	0.8220	0.8213
CHF	0.5306	0.5306
DKK	4.0944	4.1033
FJD	1.3713	1.3645
HKD	4.6708	4.6582
INR	49.89	49.70
NOK	6.4749	6.5296
PKR	171.79	171.59
PHP	33.35	33.30
PGK	2.2321	2.2238
SEK	6.3021	6.3241
SGD	0.8049	0.8043
CNY	4.3221	4.3246
THB	21.03	21.18
TOP	1.4047	1.4096
VUV	72.67	72.34
WST	1.6450	1.6386
XPF	66.32	66.21
ZAR	10.9989	10.9706



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.23	0.56
3 Months	1.17	2.17
6 Months	0.67	3.67
9 Months	0.51	3.17
1 Year	-0.44	2.45

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.82	-7.02
3 Months	-23.54	-21.51
6 Months	-45.02	-39.03
9 Months	-59.77	-52.89
1 Year	-69.21	-61.94

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