

Research Markets Today

27 October 2023

Events Round-Up

EC: ECB Deposit Facility Rate, Oct: 4.0 vs 4.0 exp.
 US: Adv. Goods Trade Balance (\$bn), Sep: -86 vs. -86 exp.
 US: GDP Annualized (q/q%), 3Q A: 4.9 vs. 4.5 exp.
 US: Core PCE Price Index (q/q%), 3Q A: 2.4 vs. 2.5 exp.
 US: Durable Goods Orders (m/m%), Sep P: 4.7 vs. 1.8 exp.
 US: Durables Ex Transport (m/m%), Sep P: 0.5 vs. exp.
 US: Initial Jobless Claims (k), Oct 21: 210 vs. 207 exp.
 US: Pending Home Sales (m/m%), Sep: 1.1 vs. -2.1 exp.

Good Morning

Investor risk sentiment remains fragile with global equities extending recent losses amid disappointing earnings from large US tech companies. The S&P is down more than 1%, falling further below the 4,200 level which formed the topside of the range through the first half of the year. Major equity benchmarks also declined in Europe and Asia. US treasury yields are lower, and the dollar index is little changed.

The ECB held rates steady at 4% as expected and outlined the economy is broadly evolving as anticipated. The accompanying statement was little changed from the September meeting noting that interest rates are at levels that, if maintained for a sufficiently long duration, will bring inflation back to its target. This reinforces market expectations that the tightening cycle is now complete. Reinvestments from the pandemic emergency purchase programme (PEPP) will run until at least the end of 2024. The meeting outcomes were in line with expectations and there was little market initial reaction as a result.

US GDP expanded at a 4.9% annual rate in Q3, marginally higher than consensus estimates of 4.5%. That was a jump from a 2.1% rate in the second quarter, and the strongest figure since the Q4-21. Growth was underpinned by strong consumer spending. The 2.4% increase in the core PCE price index was the slowest pace since Q4-2019 after removing some of the distortions during covid.

US Durable goods orders jumped 4.7% m/m in September which was well above the consensus and reflected a large rise in aircraft orders. The core reading, which exclude defence and aircraft orders rose 0.6% after an upwardly revised 1.1% in August. Meanwhile jobless claims printed

close to expectations at 210k. Claims are stabilising at current levels after the adjustment lower in September.

Futures market pricing for the Fed funds rate was little changed following the data. There is about 5bp of tightening priced for the remaining two FOMC meetings this year.

US treasury yields moved lower across the curve amid rising risk aversion. 2-year yields declined close to 10bp from session highs of 5.14%. There was a similar decline in the longer end with 10-year yields moving lower in a largely parallel move. This continues the choppy price action of late with large moves in either direction. The US\$38 billion 7-year auction saw strong demand despite the fall in yields. 10-year German bund yields fell 3bp to 2.86% while the equivalent maturity Gilt was little changed at 4.6%.

A US dollar dip aligned the move lower in treasury yields proved short lived and the dollar index is broadly unchanged in offshore trade. In the majors, EUR/USD is marginally lower while price action in USD/JPY was erratic with the market on edge for any signs of intervention by the Bank of Japan. The move above 150 to 1-year highs in the Asian session yesterday prompted comments from finance minister Suzuki that he was 'watching FX moves with the same sense of urgency'. USD/JPY traded up to 150.80 before dropping close to a big-figure in a matter of seconds but has since recovered.

After slipping below 0.5800 in the local session yesterday, NZD/USD recovered in offshore trade. The NZD outperformed within the G10 and made gains on the European crosses. NZD/AUD was stable near 0.9210.

In a continuation of choppy price action, NZ fixed interest markets moved higher in yield in the local session yesterday reflecting the moves in offshore markets. 10-year government bond yields increased 8bp to 5.50%. Shorter maturities outperformed leading to a steeper curve. Bonds outperformed swaps with the government bond market pricing in a reduced chance of a further syndication this year.

The weekly government bond tender saw decent demand with NZ\$1.4 billion in bids for the NZ\$500 million on offer. All 3 lines cleared below the pre-tender mid pricing. Australian bond futures have moved lower in yield since

the local close yesterday, and combined with the more in treasuries, suggest a downward bias for NZGB yields on the open.

ANZ consumer confidence is the only domestic economic release of note today and will be closely scrutinised to see if there is a post-election bounce from what are depressed levels. Much of the US personal income and spending data is known following Q3 GDP.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ Consumer Confidence	Oct		86.4	10:00
JN	Tokyo CPI (y/y%)	Oct	2.8	2.8	12:30
JN	Tokyo core CPI (y/y%)	Oct	3.7	3.8	12:30
US	Personal Income (m/m%)	Sep	0.4	0.4	01:30
US	Real Personal Spending (m/m%)	Sep	0.3	0.1	01:30
US	PCE Core Deflator (m/m%)	Sep	0.3	0.1	01:30
US	PCE Core Deflator (y/y%)	Sep	3.7	3.9	01:30

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	0.5822	+0.3	0.5786	0.5829	CHF	0.8996	+0.3	S&P 500	4,131	-1.3	7.8	Oil (Brent)	88.40	-2.1
AUD	0.6318	+0.1	0.6282	0.6329	SEK	11.177	+0.3	Dow	32,823	-0.7	3.1	Oil (WTI)	83.66	-2.2
EUR	1.0544	-0.2	1.0524	1.0560	NOK	11.227	+0.2	Nasdaq	12,579	-1.9	14.7	Gold	1980.4	-0.2
GBP	1.2123	+0.1	1.2070	1.2134	HKD	7.821	-0.0	Stoxx 50	4,049	-0.6	12.3	HRC steel	865.0	+4.6
JPY	150.27	+0.0	149.96	150.78	CNY	7.317	-0.0	FTSE	7,355	-0.8	4.2	CRB	283.1	+0.4
CAD	1.3832	+0.2			SGD	1.370	-0.1	DAX	14,731	-1.1	11.6	Wheat Chic.	603.3	+1.3
NZD/AUD	0.9215	+0.2			IDR	15,920	+0.3	CAC 40	6,889	-0.4	9.8	Sugar	27.04	-2.2
NZD/EUR	0.5522	+0.5			THB	36.28	+0.1	Nikkei	30,602	-2.1	11.9	Cotton	84.64	+0.9
NZD/GBP	0.4802	+0.2			KRW	1,360	+0.8	Shanghai	2,988	+0.5	0.2	Coffee	161.5	-0.4
NZD/JPY	87.49	+0.4			TWD	32.47	+0.3	ASX 200	6,812	-0.6	-0.5	WM powder	3150	+0.3
NZD/CAD	0.8053	+0.6			PHP	56.96	+0.2	NZX 50	10,849	-0.3	-2.3	Australian Futures		
NZ TWI	69.46	+0.4										3 year bond	95.64	-0.09
												10 year bond	95.19	0.03
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	5.65	4.92	4.50	USD	4.84	-0.11	15-Apr-25	5.59	0.01	1 year	5.78	0.03	
AUD	4.10	4.33	4.48	5.10	AUD	4.87	0.15	15-Apr-27	5.30	0.06	2 year	5.61	0.06	
NZD	5.50	5.65	5.61	5.37	NZD	5.49	0.09	15-May-28	5.32	0.06	5 year	5.28	0.10	
EUR	4.00	3.94	3.66	3.40	GER	2.86	-0.03	15-May-31	5.44	0.08	7 year	5.30	0.11	
GBP	5.25	5.38	5.01	4.45	GBP	4.60	-0.01	14-Apr-33	5.49	0.09	10 year	5.37	0.12	
JPY	-0.01	-0.03	0.25	1.08	JPY	0.88	0.02	15-May-41	5.70	0.09	15 year	5.44	0.12	
CAD	5.00	5.59	5.08	4.48	CAD	4.01	-0.11	15-May-51	5.62	0.07				

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

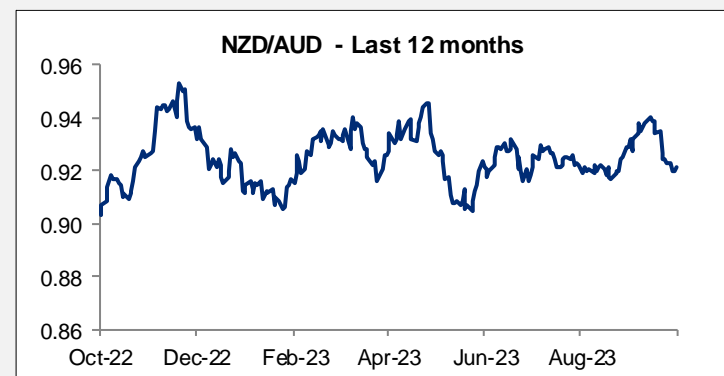
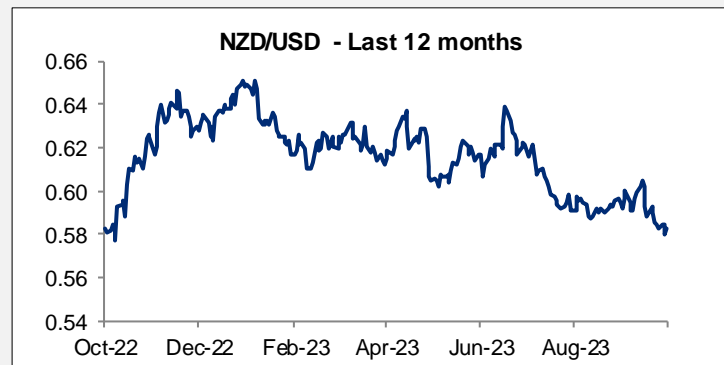
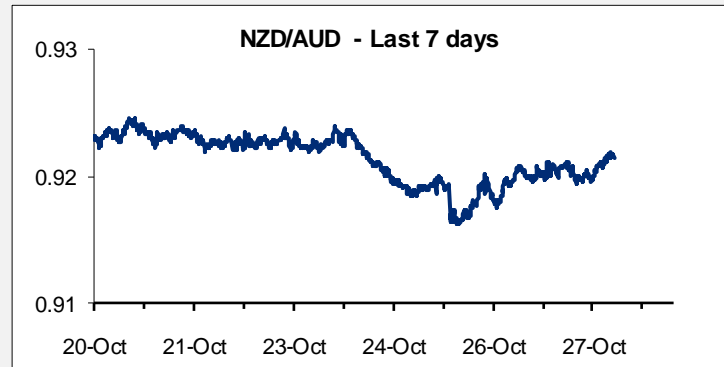
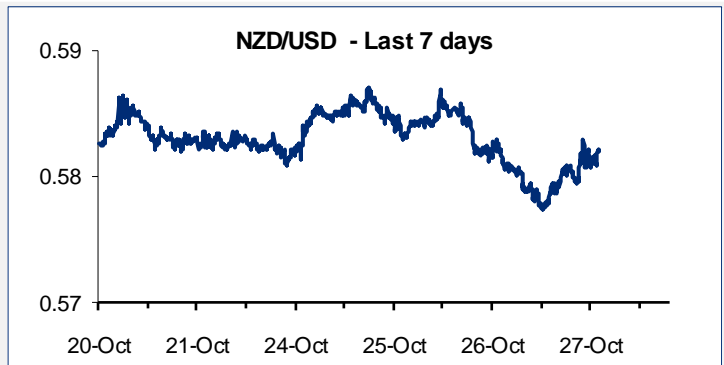
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:40

Source: Bloomberg

NZD exchange rates

26/10/2023	6:40 am	Prev. NY close
USD	0.5822	0.5802
GBP	0.4802	0.4790
AUD	0.9215	0.9196
EUR	0.5522	0.5491
JPY	87.49	87.16
CAD	0.8053	0.8005
CHF	0.5237	0.5203
DKK	4.1210	4.0981
FJD	1.3424	1.3353
HKD	4.5532	4.5382
INR	48.46	48.27
NOK	6.5361	6.4974
PKR	163.13	162.13
PHP	33.17	32.99
PGK	2.1603	2.1394
SEK	6.5071	6.4679
SGD	0.7975	0.7953
CNY	4.2598	4.2454
THB	21.11	21.00
TOP	1.3786	1.3562
VUV	71.93	71.56
WST	1.6178	1.6024
XPF	65.62	65.35
ZAR	11.0379	11.0966



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.24	0.56
3 Months	1.10	1.60
6 Months	1.17	2.20
9 Months	-1.58	0.42
1 Year	-7.34	-4.34

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.50	-8.73
3 Months	-27.36	-26.13
6 Months	-51.74	-48.68
9 Months	-73.09	-67.27
1 Year	-92.59	-83.60

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