

Research Markets Today

28 November 2023

Events Round-Up

US: New home sales (k), Oct: 679 vs. 721 exp.

Good Morning

It has been a quiet start to the week, as the US returns from holiday. US equities are currently flat, US Treasuries show a modest fall in yields across the curve and currency movements have been small. The NZD is trading little changed from last week's close after a brief look just over 0.61 overnight, a fresh three-month high.

It has been a typical sleepy start to the new week, with little data and little newsflow. In terms of financial market pricing, the most notable move has been a fall in global rates, with European 10-year rates down in the order of 9-10bps, and the UK 10-year rate down 7bps. US Treasury yields are down 3-5bps across the curve since last week's close, with the 10-year rate currently trading at 4.42%. Relative to the NZ close the move has been greater, as higher yields during the local trading session have given way, and change is closer to 8bps lower.

In economic data, US new home sales fell 5.6% m/m to 679k in October, with downward revisions to prior data, adding to the downside miss to consensus estimates. The data are volatile and have been trending high this year, given the lack of activity in the existing home market.

ECB President Lagarde testified to Parliament and there weren't any new messages. On rates, she reiterated that the ECB expects to maintain interest rates at current levels for a sufficiently long duration to make a substantial contribution to restoring price stability. As widely acknowledged, base effects will lift near-term headline inflation, however, the medium-term outlook remains "surrounded by considerable uncertainty". On QT, she said that in the not-too-distant future, the GC will reexamine the previous guidance on the pandemic bond portfolio – reconsidering how long they will replace maturing securities, with previous guidance being that they would continue to reinvest until the end of next year.

In an interview with Newcastle's "The Chronical", BoE Governor Bailey said that the potential growth rate of the UK economy was "no doubt...lower than it has been in much of my working life...it does concern me a lot". Weak supply-side growth was one reason for keeping interest

rates high and "they are unlikely to be cut for the foreseeable future", noting that getting inflation down to 2% will be "hard work".

Currency movements have been modest. The yen is the best performer against the backdrop of lower global rates, with USD/JPY down 0.4% to 148.90. EUR and GBP are little changed. The NZD is trading near 0.6090, where it closed at the end of last week. Overnight, the NZD briefly traded above 0.61 for the first time in over three months at a high of 0.6103., extending its recent rally and giving us more confidence that the currency has entered a new, higher, trading range. The currency breached the 200-day moving average of 0.6092, not that that technical indicator has meant much this year.

The AUD also traded at its highest level in over three months, taking a brief look above 0.66 and currently is just below that mark. NZD/AUD has range traded and sits at 0.9230.

After last week's OPEC+ meeting was delayed due to disputes on future production, Saudi Arabia is asking others to reduce their quota to help support prices. Delegates report that no agreement has yet been made, amidst resistance to cut production. Oil prices are down a touch, with Brent crude trading with a USD80 handle.

The domestic rates market was quiet, with global forces seeing a small lift in yields across much of the curve and a steepening bias. While short rates were anchored, the rest of the NZGB curve was up 2-4bps. The 2-year swap rate was unchanged at 5.27%, consolidating last week's significant sell-off, while the 10-year swap rate rose 5bps to 4.92%.

In the day ahead we get Australian retail sales and RBA Governor Bullock will be on a panel discussion at a conference. Tonight sees US consumer confidence released and respected St Louis Fed President Waller will be speaking on the economic outlook.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Retail sales (m/m%)	Oct	0.1	0.9	13:30
AU	RBA's Bullock on panel in Hong Kong				14:18
GE	GfK consumer confidence	Dec	-28.3	-28.1	20:00
US	Fed's Waller speaks on the economic outlook				04:00
US	Conf. Board consumer confid.	Nov	101.0	102.6	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	0.6086	+0.2	0.6067	0.6103	CHF	0.8812	-0.2		S&P 500	4,556	-0.1	13.2	Oil (Brent)	80.32	-0.3			
AUD	0.6595	+0.2	0.6575	0.6614	SEK	10.446	-0.1		Dow	35,317	-0.2	2.8	Oil (WTI)	75.27	-0.3			
EUR	1.0935	-0.0	1.0925	1.0959	NOK	10.676	-0.5		Nasdaq	14,290	+0.3	27.3	Gold	2010.2	+0.4			
GBP	1.2605	+0.0	1.2601	1.2644	HKD	7.792	+0.0		Stoxx 50	4,354	-0.4	9.9	HRC steel	900.0	+0.0			
JPY	148.90	-0.4	148.66	149.33	CNY	7.153	+0.1		FTSE	7,461	-0.4	-0.3	CRB	272.0	-1.1			
CAD	1.3641	+0.0			SGD	1.338	-0.2		DAX	15,966	-0.4	9.8	Wheat Chic.	561.8	-2.7			
NZD/AUD	0.9228	-0.2			IDR	15,494	-0.5		CAC 40	7,265	-0.4	8.2	Sugar	27.26	+1.0			
NZD/EUR	0.5566	+0.3			THB	35.09	-0.9		Nikkei	33,448	-0.5	18.8	Cotton	80.42	+0.0			
NZD/GBP	0.4828	+0.1			KRW	1,304	-0.2		Shanghai	3,032	-0.3	-1.5	Coffee	169.1	+0.6			
NZD/JPY	90.62	-0.0			TWD	31.57	-0.2		ASX 200	6,988	-0.8	-3.3	WM powder	3255	+0.2			
NZD/CAD	0.8302	+0.3			PHP	55.46	+0.1		NZX 50	11,156	-0.5	-1.3	Australian Futures					
NZ TWI	70.87	+0.1											3 year bond	95.77	-0.03			
													10 year bond	95.49	0.04			
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	Net Day		Last	Net Day		Last	Net Day		
USD	5.50	5.65	4.73	4.06	USD	4.41	-0.05	15-Apr-25	5.29	0.00	15-Apr-25	5.29	0.00	1 year	5.59	-0.01		
AUD	4.35	4.38	4.43	4.79	AUD	4.57	0.02	15-Apr-27	4.94	0.02	15-Apr-27	4.94	0.02	2 year	5.27	0.00		
NZD	5.50	5.63	5.27	4.92	NZD	5.03	0.04	15-May-28	4.91	0.02	15-May-28	4.91	0.02	5 year	4.85	0.03		
EUR	4.00	3.94	3.48	3.04	GER	2.55	-0.10	15-May-31	4.99	0.03	15-May-31	4.99	0.03	7 year	4.85	0.04		
GBP	5.25	5.36	4.82	4.04	GBP	4.21	-0.07	14-Apr-33	5.03	0.04	14-Apr-33	5.03	0.04	10 year	4.92	0.05		
JPY	-0.02	-0.03	0.23	0.97	JPY	0.78	0.00	15-May-41	5.25	0.04	15-May-41	5.25	0.04	15 year	5.02	0.05		
CAD	5.00	5.50	4.78	4.00	CAD	3.67	-0.05	15-May-51	5.19	0.04	15-May-51	5.19	0.04					

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

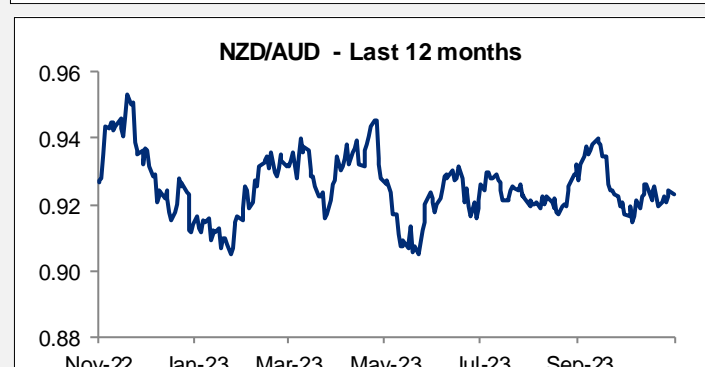
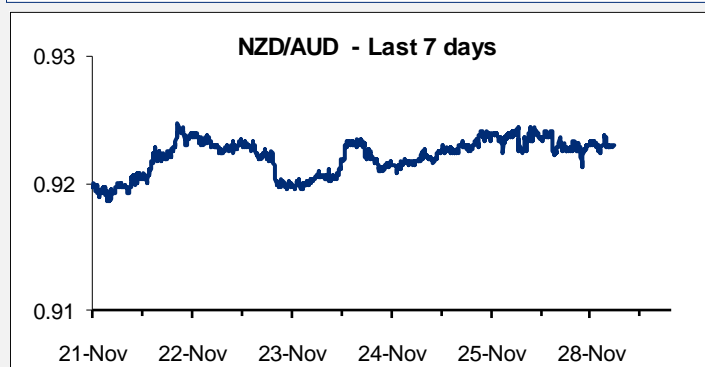
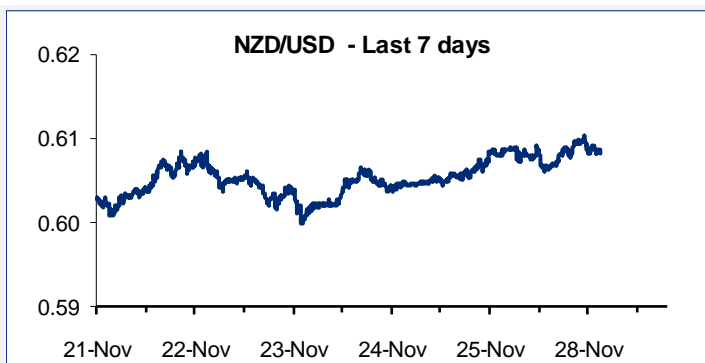
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:52

Source: Bloomberg

NZD exchange rates

28/11/2023 6:53 am		Prev. NY close
USD	0.6086	0.6074
GBP	0.4828	0.4819
AUD	0.9228	0.9224
EUR	0.5566	0.5553
JPY	90.62	90.77
CAD	0.8302	0.8283
CHF	0.5363	0.5363
DKK	4.1494	4.1405
FJD	1.3788	1.3616
HKD	4.7422	4.7327
INR	50.74	50.62
NOK	6.4974	6.5188
PKR	173.83	173.30
PHP	33.71	33.65
PGK	2.2667	2.2630
SEK	6.3574	6.3537
SGD	0.8142	0.8140
CNY	4.3533	4.3423
THB	21.37	21.55
TOP	1.4230	1.4208
VUV	73.52	73.32
WST	1.6659	1.6680
XPF	67.23	67.08
ZAR	11.3752	11.4064



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.10	0.48
3 Months	1.14	1.64
6 Months	1.22	2.31
9 Months	-0.10	1.90
1 Year	-3.00	-0.01

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.17	-7.44
3 Months	-23.67	-22.50
6 Months	-43.00	-39.97
9 Months	-58.31	-53.21
1 Year	-70.15	-62.85

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