

# Research Markets Today

30 November 2023

## Events Round-Up

AU: Monthly CPI indicator (y/y%), Oct: 4.9 vs. 5.2 exp.

NZ: RBNZ Official Cash Rate (%), Nov: 5.5 vs. 5.5 exp.

EA: Economic confidence, Nov: 93.8 vs. 93.6 exp.

GE: CPI EU harmonised (m/m%), Nov: -0.7 vs. -0.5 exp.

GE: CPI EU harmonised (y/y%), Nov: 2.3 vs. 2.5 exp.

US: Goods trade balance (\$b), Oct: -89.8 vs. -86.5 exp.

US: GDP (ann'lsd q/q%, 2nd est.), Q3: 5.2 vs. 5.0 exp.

US: Core PCE def. (ann'lsd, q/q%), Q3: 2.3 vs. 2.4 exp.

## Good Morning

Bond markets have been supported by some market-friendly data, extending the recent rally and seeing the US 10-year rate fall to as low as 4.25% overnight. Aided by a stronger USD overnight, the NZD has reversed yesterday's post-MPS rally, after the RBNZ's surprising forecast update which showed an increased chance of tighter policy and a higher-for-longer rate track. NZD/USD is trading back around 0.6150.

There has been plenty of news to digest over the past 24 hours. Beginning with overnight events, global rates have continued their downward trend, extending the big rally in bond markets we've seen during November. The move has been supported by weaker CPI inflation data in Europe and a "goldilocks"-like revision to US GDP data. Also, Fed Governor Waller's comments the previous day that the Fed could be easing within 3-5 months if inflation keeps falling remains forefront of mind for investors.

Germany's 10-year rate is down 6bps to 2.43% and UK's 10-year rate is down 8bps to 4.10%. The US 10-year rate fell to as low as 4.25%, and is 4.28% as we go to print, down 4bps on the day. The curve has steepened further with the 2-year rate down 8bps to 4.65%.

Inflation data for Spain and Germany were much lower than expected, with annual CPI inflation falling to 3.2% y/y in the former and to 2.3% y/y for the latter. The softer data suggest downside risk to estimates for euro area CPI data released tonight and supports the market view that the ECB is finished hiking for the cycle.

US GDP was revised up from an annualised 4.9% to 5.2% in the Q3 but the mix was market friendly, with private

consumption revised down from 4.0% to 3.6%.

Furthermore, the core PCE deflator was revised down a tick to an annualised 2.3%. The market is more focused on the current quarter, where the Atlanta Fed GDPNow estimate sits at 2.1%, while the goods trade deficit widened to a larger than expected \$89.8b in October. The data play to the soft-landing narrative.

Hot of the heels of yesterday's mixed messages by the Fed's Waller and Bowman, two more FOMC members, who will be voting on the committee next year, have given contrasting views on the outlook. Atlanta Fed President Bostic said that tighter monetary policy and financial conditions are biting harder into economic activity, and we have yet to see the full effects of restrictive policy, referencing research and input from business leaders, and implying that he didn't see the need for further tightening. Richmond Fed President Barkin argued for keeping the option open to raise rates again, saying that he's not ready to commit to a particular policy path with so much uncertainty in the air.

The market is paying more attention to dovish than hawkish Fed commentary and with that in mind, Waller's comments the previous night and Bostic's comment last night are resonating. Market pricing now shows the first full easing by the Fed is now locked in for May next year.

In other central bank speak, BoJ board member Adachi urged patience on monetary policy, saying "we're not at a phase to discuss an exit strategy, given the current economy and inflation". He said that the Bank will only be able to confirm next year's wage trend after the new fiscal year starts in April. His view backs Governor Ueda's recent comments, which have argued for waiting for wage data to give confidence that higher inflation can be sustained and adopting a very slow approach to policy normalisation.

Net currency moves over the past 24 hours have been modest, although the USD has been broadly stronger overnight, recovering some of its recent loss. The AUD has been the weakest of the majors over the past 24 hours, following weaker than expected monthly CPI data which showed a drop to 4.9% y/y. If that is the reason for AUD weakness, then there is little justification for the move, with the data for October heavily weighted to the goods side and revealing little about the inflationary pressure being felt in the domestic/services sectors, which is more

important for policy. The AUD found some support just over 0.66 and currently sits at 0.6620.

The NZD shot up from 0.6150 to a high of 0.6208 in the aftermath of the RBNZ's hawkish-hold, but overnight it has retreated back down to 0.6150. The weaker AUD means that NZD/AUD has sustained its lift to around 0.93. All NZD crosses have weakened overnight, but remain slightly above pre-MPS levels.

The RBNZ produced a set of forecasts raising the chance that further tightening could be required. The Bank seems to have put a lot of weight on the recent strength in migration, and that adding to demand pressures on the economy, with the Bank now seeing asymmetric risks to the inflation outlook. The rate track showed a slightly higher peak in the OCR of 5.7% and a roughly six-month delayed start to any easing cycle, with a full rate cut now not projected until mid-2025. Unbelievably, the OCR remains well above neutral (at 3.6% by end-2026, above the revised higher estimated neutral level of 2.5%) throughout the three-year forecast period, long after inflation returns to 2%.

Not surprisingly, the market views the need for restrictive policy for such a long time with a great deal of scepticism and that was reflected in the market reaction to the Statement. The 2-year swap rate ended the day up only 6bps to 5.23%, or up 10bps from the pre-MPS level, after global forces supported lower rates earlier in the session.

Those global forces kept downward pressure at the long end of the curve, resulting in the 10-year swap rate falling 4bps on the day to 4.76% and thereby resulting in some curve flattening. NZGBs also showed a flattening profile, but to a lesser extent, with no net change in short-end rates and a 3bps fall in the 10-year rate to 4.92%. The OIS curve continues to show little chance of further tightening

and a first easing for the cycle in Q3 next year, a full year earlier than the RBNZ has guided.

The calendar in the day ahead is full. Key releases during the local trading session will be the ANZ business outlook survey, expected to show further upside in confidence and activity indicators, given the business-friendly election result, and China PMI data. Key releases tonight include euro area CPI data, expected to show inflation falling further, and US personal income and spending figures alongside the PCE deflators for October. A core increase of 0.2% m/m would see annual inflation fall further, to 3.5% y/y.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Dwelling consents (m/m%)	Oct		-4.7	10:45
NZ	ANZ activity outlook (net%)	Nov		23.1	13:00
CH	Manufacturing PMI	Nov	49.8	49.5	14:30
CH	Non-manufacturing PMI	Nov	50.9	50.6	14:30
GE	Unemployment rate (%)	Nov	5.8	5.8	21:55
EC	CPI (y/y%)	Nov	2.7	2.9	23:00
EC	CPI core (y/y%)	Nov	3.9	4.2	23:00
EC	Unemployment rate (%)	Oct	6.5	6.5	23:00
CA	GDP (ann'lisd q/q%)	Q3	0.1	-0.2	02:30
US	Initial Jobless Claims	25-Nov	218	209	02:30
US	Personal income (m/m%)	Oct	0.2	0.3	02:30
US	Real personal spending (m/m%)	Oct	0.1	0.4	02:30
US	PCE core deflator (m/m%)	Oct	0.2	0.3	02:30
US	PCE core deflator (y/y%)	Oct	3.5	3.7	02:30
US	Chicago PMI	Nov	46	44	03:45
US	Pending home sales (m/m%)	Oct	-2.0	1.1	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	0.6155	+0.3	0.6138	0.6193	CHF	0.8743	-0.4	S&P 500	4,568	+0.3	15.4	Oil (Brent)	82.40	+0.9
AUD	0.6622	-0.4	0.6606	0.6645	SEK	10.354	+0.3	Dow	35,530	+0.3	5.0	Oil (WTI)	77.34	+1.2
EUR	1.0977	-0.1	1.0960	1.1005	NOK	10.646	+0.2	Nasdaq	14,309	+0.2	30.3	Gold	2046.1	+0.3
GBP	1.2701	+0.1	1.2665	1.2722	HKD	7.806	+0.1	Stoxx 50	4,371	+0.5	11.1	HRC steel	1037.0	-1.2
JPY	147.23	-0.2	147.02	147.90	CNY	7.132	-0.1	FTSE	7,423	-0.4	-1.2	CRB	273.7	+1.2
CAD	1.3585	+0.1			SGD	1.332	+0.1	DAX	16,166	+1.1	12.6	Wheat Chic.	584.8	+2.2
NZD/AUD	0.9295	+0.7			IDR	15,395	-0.3	CAC 40	7,268	+0.2	9.0	Sugar	26.87	-0.4
NZD/EUR	0.5607	+0.4			THB	34.88	+0.4	Nikkei	33,321	-0.3	19.1	Cotton	78.82	+0.3
NZD/GBP	0.4846	+0.2			KRW	1,288	-0.5	Shanghai	3,022	-0.6	-4.1	Coffee	172.8	-0.2
NZD/JPY	90.62	+0.1			TWD	31.19	-0.8	ASX 200	7,035	+0.3	-3.4	WM powder	3235	-0.3
NZD/CAD	0.8362	+0.4			PHP	55.38	-0.1	NZX 50	11,236	-0.0	-2.7	<b>Australian Futures</b>		
NZ TWI	71.37	+0.3										3 year bond	95.98	0.15
												10 year bond	95.65	0.10
<b>Interest Rates</b>														
	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	5.65	4.49	3.90	USD	4.27	-0.05	15-Apr-25	5.23	0.00		1 year	5.58	0.04
AUD	4.35	4.39	4.30	4.67	AUD	4.36	-0.14	15-Apr-27	4.85	0.00		2 year	5.23	0.06
NZD	5.50	5.62	5.23	4.76	NZD	4.92	-0.03	15-May-28	4.82	-0.00		5 year	4.75	0.00
EUR	4.00	3.96	3.34	2.93	GER	2.43	-0.07	15-May-31	4.89	-0.02		7 year	4.72	-0.01
GBP	5.25	5.36	4.70	3.91	GBP	4.10	-0.08	14-Apr-33	4.92	-0.03		10 year	4.76	-0.04
JPY	-0.02	-0.03	0.19	0.88	JPY	0.67	-0.09	15-May-41	5.15	-0.04		15 year	4.86	-0.04
CAD	5.00	5.49	4.57	3.88	CAD	3.52	-0.06	15-May-51	5.09	-0.03				

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

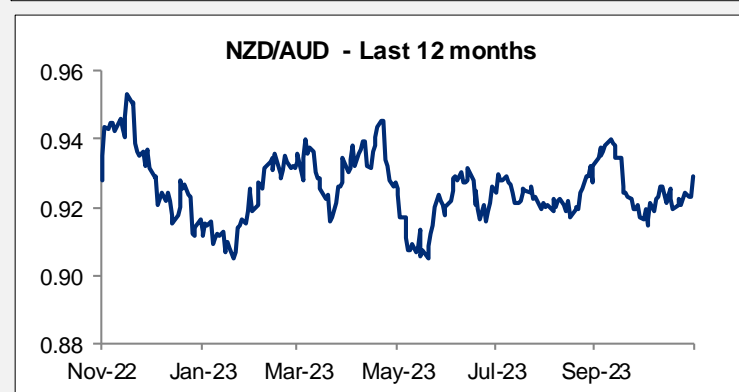
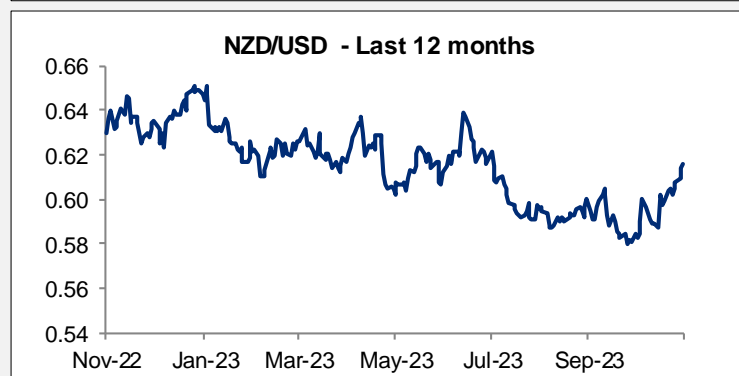
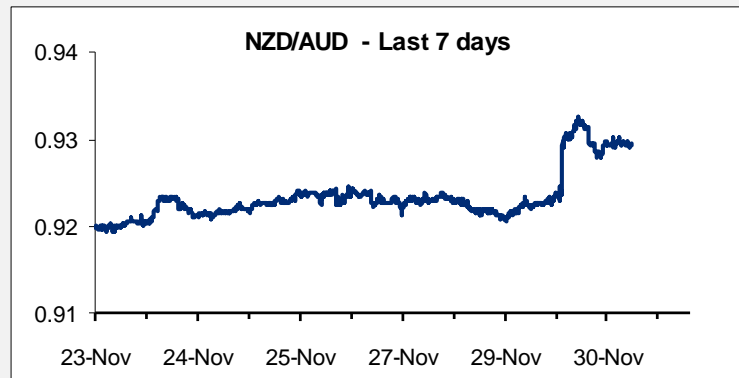
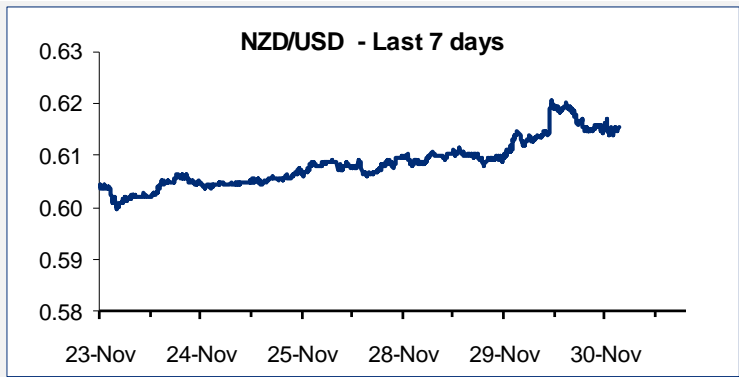
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 07:02

Source: Bloomberg

**NZD exchange rates**

30/11/2023	7:02 am	Prev. NY close
USD	0.6155	0.6136
GBP	0.4846	0.4834
AUD	0.9295	0.9228
EUR	0.5607	0.5582
JPY	90.62	90.49
CAD	0.8362	0.8329
CHF	0.5381	0.5387
DKK	4.1804	4.1612
FJD	1.3828	1.3798
HKD	4.8043	4.7840
INR	51.29	51.14
NOK	6.5529	6.5183
PKR	175.65	175.22
PHP	34.09	34.00
PGK	2.2924	2.2853
SEK	6.3728	6.3336
SGD	0.8200	0.8168
CNY	4.3897	4.3788
THB	21.43	21.44
TOP	1.4317	1.4316
VUV	74.11	73.77
WST	1.6813	1.6782
XPF	67.87	67.61
ZAR	11.4890	11.4147



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.52	0.85
3 Months	1.12	1.62
6 Months	-0.56	0.54
9 Months	-5.52	-3.51
1 Year	-12.70	-9.70

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.59	-8.80
3 Months	-23.77	-22.57
6 Months	-46.15	-43.09
9 Months	-64.47	-59.20
1 Year	-79.91	-71.29

# Contact Details

## BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Craig Ebert**

Senior Economist  
+64 4 474 6799

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets Strategist  
+64 4 924 7652

**Stuart Ritson**

Senior Interest Rate Strategist  
+64 9 9248601

**Mike Jones**

BNZ Chief Economist  
+64 9-956 0795

## Main Offices

**Wellington**

Level 2, BNZ Place  
1 Whitmore Street  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**

111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

**Analyst Disclaimer:** The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

**New Zealand:** The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

**USA:** If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.