

Research Markets Today

30 October 2023

Events Round-Up

NZ: ANZ Consumer Confidence, Oct: 88.1 vs. 86.4 prev.
 JN: Tokyo CPI (y/y%), Oct: 3.3 vs. 2.8 exp.
 JN: Tokyo core CPI (y/y%), Oct: 3.8% vs. 3.7 exp.
 US: Personal Income (m/m%), Sep: 0.3 vs. 0.4 exp.
 US: Real Personal Spending (m/m%), Sep: 0.4 vs. 0.3 exp.
 US: PCE Core Deflator (m/m%), Sep: 0.3 vs. 0.3 exp.
 US: PCE Core Deflator (y/y%), Sep: 3.7 vs. 3.7 exp.

Good Morning

Global equities ended the week on a soft note with geopolitical risks and an underwhelming corporate earnings season undermining market sentiment. The S&P closed 0.5% lower taking weekly losses to more than 2%. The market has now entered a 'correction' having declined more than 10% from the peak near 4600 in July. Oil and gold prices increased with gold trading above \$2,000 an ounce for the first time since May. US treasuries gained with the front-end outperforming while the US dollar index ended little changed.

US personal and income data, released Friday night, was consistent with the previous days advance GDP data. Personal income rose 0.3% in September while real consumption rose 0.4% and was close to evenly split between goods and services. The buoyant labour market is providing support for household spending with residual savings from the pandemic period playing a part as well.

The Federal Reserve's preferred measure of underlying inflation accelerated to a four-month high in September. The core PCE deflator rose 0.3% m/m, up from 0.1% in August, which was in line with consensus expectations. Core prices increased at a 3.7% annual rate. Core service prices can be volatile, but after large increase in two of the past three months, the Fed will remain cautious. This will likely be reflected in the tone of the statement accompanying the FOMC this week that the fall in inflation is welcome, but it is too early to say that it is definitive.

Price action in US treasuries was more subdued after a volatile week. 2-year treasuries closed down 4bps at 5.0%, while 10-year bonds were little changed at 4.83%. The modest steeping bias led by the front-end outperformance saw the 2y/10y curve close at -17bp which is close to the recent highs. Rising investor risk aversion is contributing to

demand for fixed interest exposure. The latest EPFR fund flows data revealed that weekly allocations into long-dated US sovereign debt funds were the highest on record. European bond markets closed lower in yield. 10-year bund yields ended the week at 2.82%, down 3bp on the day, while 10-year gilt yields fell 6bp to 4.54%.

Tokyo CPI, which can act as a leading indicator for nationwide data, was stronger than expected ahead of the Bank of Japan's (BOJ) policy meeting tomorrow. There has been growing speculation the BOJ will make further adjustments to the yield curve control programme which caps 10-year government bond (JGB) yields at 1%. 10-year JGBs have been grinding higher despite several buying operations aimed at slowing the move. 10-year JGBs closed at 0.87% on Friday.

In currency markets, the US Dollar index ended little changed. A Bloomberg headline that Qatar mediation is moving 'quickly on Gaza cease-fire' boosted risk sentiment temporarily and contributed to the dollar falling to the session lows before rebounding. The Yen outperformed within the G10, extending the gains following the Tokyo CPI data. USD/JPY traded back below the psychological 150 level to close the week at 149.65. The Canadian dollar was relatively weak with USD/CAD reaching the highest level in 12-months.

The NZD benefited from the temporary improved risk tone and traded to an overnight session high close to 0.5845. However, the move quickly reversed, and NZD/USD ended the week near 0.5810. NZD/AUD was stable near 0.9170 while NZD/JPY closed near 6-week lows at 86.95.

NZ government bond yields ended marginally lower in the local session on Friday. 10-year government bonds closed down 2bp at 5.47% with a largely parallel move across the curve. Australian 3-year and 10-year bond futures are little changed from the local close on Friday providing limited directional bias for NZ yields on the open.

It is a relatively quiet start to what is a busy week of economic data and central bank meetings. NZ labour market data is released on Wednesday. The Fed, Bank of England and BOJ all have monetary policy meetings. Global PMIs are scheduled as well as the employment cost index and labour market in the US. The Eurozone gets GDP & CPI data.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Retail Sales (m/m%)	Sep	0.3	0.2	13:30
GE	GDP SA (q/q%)	3Q P		0	22:00
UK	Consumer Credit (y/y%)	Sep		7.6	22:30
EC	Economic Confidence	Oct		93.3	23:00

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	0.5810	-0.2	0.5806	0.5844	CHF	0.9023	+0.4	S&P 500	4,117	-0.5	5.5	Oil (Brent)	90.48	+2.9		
AUD	0.6334	+0.2	0.6331	0.6368	SEK	11.146	-0.2	Dow	32,418	-1.1	-1.4	Oil (WTI)	85.54	+2.8		
EUR	1.0565	+0.0	1.0535	1.0597	NOK	11.184	-0.2	Nasdaq	12,643	+0.4	13.9	Gold	1998.5	+0.1		
GBP	1.2123	-0.1	1.2106	1.2162	HKD	7.821	+0.0	Stoxx 50	4,014	-0.9	11.1	HRC steel	866.0	+1.3		
JPY	149.65	-0.5	149.46	150.28	CNY	7.317	+0.0	FTSE	7,291	-0.9	3.5	CRB	285.1	+1.3		
CAD	1.3875	+0.3			SGD	1.370	+0.0	DAX	14,687	-0.3	10.9	Wheat Chic.	602.5	-0.6		
NZD/AUD	0.9173	-0.4			IDR	15,939	+0.1	CAC 40	6,795	-1.4	8.3	Sugar	27.34	+1.1		
NZD/EUR	0.5499	-0.2			THB	36.10	-0.5	Nikkei	30,992	+1.3	14.3	Cotton	84.38	-0.2		
NZD/GBP	0.4793	-0.1			KRW	1,356	-0.3	Shanghai	3,018	+1.0	3.5	Coffee	161.0	-0.2		
NZD/JPY	86.94	-0.7			TWD	32.44	-0.1	ASX 200	6,827	+0.2	0.6	WM powder	3150	+0.0		
NZD/CAD	0.8061	+0.1			PHP	56.96	-0.0	NZX 50	10,767	-0.8	-3.3	Australian Futures				
NZ TWI	69.31	-0.3										3 year bond	95.66	0.02		
												10 year bond	95.18	-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	5.50	5.65	4.89	4.48	USD	4.83	-0.01	15-Apr-25	5.60	0.00	1 year	5.75	-0.02			
AUD	4.10	4.31	4.54	5.15	AUD	4.81	-0.06	15-Apr-27	5.29	-0.02	2 year	5.59	-0.02			
NZD	5.50	5.64	5.59	5.36	NZD	5.48	-0.02	15-May-28	5.30	-0.02	5 year	5.27	-0.02			
EUR	4.00	3.95	3.63	3.37	GER	2.83	-0.03	15-May-31	5.43	-0.02	7 year	5.28	-0.01			
GBP	5.25	5.38	4.99	4.42	GBP	4.54	-0.05	14-Apr-33	5.48	-0.02	10 year	5.36	-0.01			
JPY	-0.01	-0.03	0.25	1.10	JPY	0.88	0.01	15-May-41	5.68	-0.02	15 year	5.44	-0.00			
CAD	5.00	5.58	5.02	4.44	CAD	3.98	-0.02	15-May-51	5.60	-0.02						

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

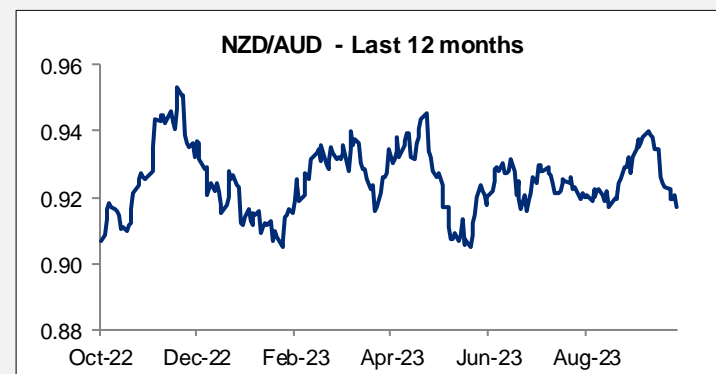
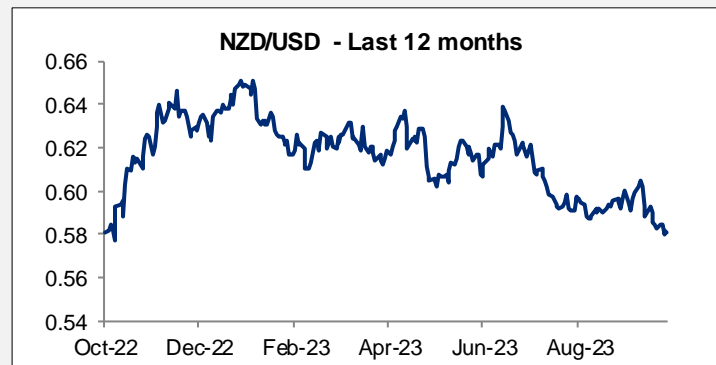
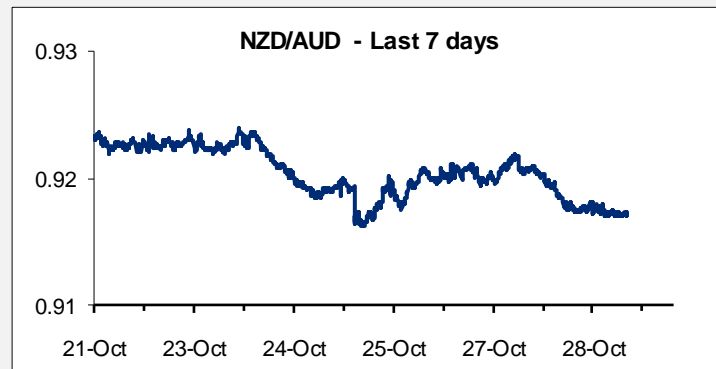
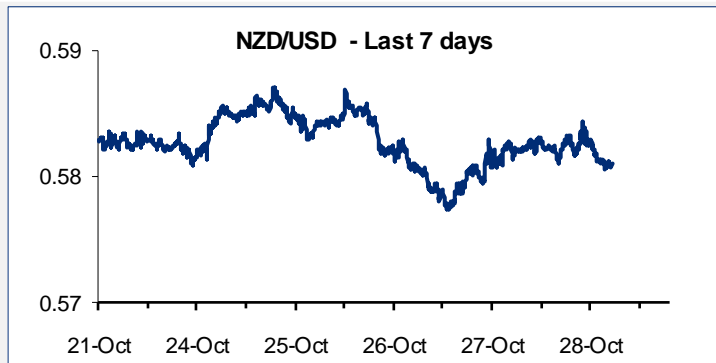
** All near futures contracts, except CRB. Metals prices are CME.

Rates at NY close

Source: Bloomberg

NZD exchange rates

27/10/2023	NY close	Prev. NY close
USD	0.5810	0.5821
GBP	0.4793	0.4799
AUD	0.9173	0.9208
EUR	0.5499	0.5511
JPY	86.94	87.55
CAD	0.8061	0.8051
CHF	0.5243	0.5232
DKK	4.1054	4.1131
FJD	1.3386	1.3422
HKD	4.5448	4.5525
INR	48.37	48.45
NOK	6.4988	6.5232
PKR	162.95	163.10
PHP	33.10	33.16
PGK	2.1562	2.1527
SEK	6.4768	6.4998
SGD	0.7960	0.7972
CNY	4.2521	4.2591
THB	21.05	21.10
TOP	1.3644	1.3813
VUV	71.96	72.18
WST	1.6063	1.6182
XPF	65.43	65.64
ZAR	10.9477	11.0391



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.17	0.63
3 Months	0.89	1.90
6 Months	0.30	3.31
9 Months	-2.88	2.12
1 Year	-8.53	-3.52

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.11	-8.07
3 Months	-27.28	-24.94
6 Months	-51.06	-44.84
9 Months	-71.84	-61.67
1 Year	-89.50	-77.40

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