**Events Round-Up**

NZ: ANZ Commodity price, Nov: 2.7 vs. 0.7 prev.
AU: AiG perf of services index, Nov: 51.1 vs. 50.5 prev.
CH: Caixin PMI services, Nov: 53.1 vs. 52.4 prev.
JP: Consumer conf. index, Nov: 40.9 vs. 42.8 exp.
EZ: Markit services PMI, Nov F: 53.8 vs. 54.1 exp.
UK: Markit services PMI, Nov: 55.2 vs. 54.0 exp.
US: Markit services PMI, Nov F: 54.6 vs. 54.9 exp.
US: ISM non-manf comp. index, Nov: 57.2 vs. 55.5 exp.

**Currencies**

The USD opened higher on the week, but has subsequently declined. European currencies have outperformed. The JPY has been the weakest performer.

Global markets continue to trundle along. Our risk appetite index (scale 0-100%) remains at a fairly steady 62%. The WTI oil price, at USD52/barrel, is pushing at the top of its range of the second half of the year. Equity markets have provided positive returns on either side of the Atlantic overnight, led by cyclical sectors. The S&P500 is sneaking up toward an 8% gain for the year.

The "No" result from the Italian referendum, failed to have a lasting impact on the EUR, as it had been widely anticipated. After touching lows near 1.0510, the EUR/USD has now traded up to 1.0740. Meanwhile the USD index now sits below Friday’s close.

The JPY was again under pressure overnight. However, the USD/JPY again found resistance approaching the 115 level. It has pulled back to trade at 114.00. Still, it has strengthened around 11% since early November.

The NZD/USD experienced a bit of volatility as NZ Prime Minister Key (ex-fx trader) announced his surprise resignation. However, the impact was short-lived. The NZD/USD has twice traded toward 0.7070 over the past 24-hours before rebounding in the early hours of this morning. It is now pushing toward 0.7150. It will likely encounter resistance on a move up toward 0.7200. The 200-day moving average will provide support at 0.7050.

On the crosses, the NZD has made further gains against the JPY. The NZD/JPY now trades at 81.40, its highest level since early January this year.

The AUD has also pushed forth in the early hours of this morning. From early morning lows below 0.7420, the AUD/USD now trades at 0.7490. The 200-day moving average sits a little higher at 0.7529. Today the RBA will meet, although no change of policy is expected. More important may be tomorrow’s release of AU Q3 GDP. Our NAB colleagues are expecting a small negative outcome (-0.2%), a bit weaker than consensus (+0.2%).

**Interest Rates**

Yesterday, NZ yields followed Friday’s decline in offshore yields, with most pressure felt at the long-end of the curve. Overnight, US 10-year yields traded a full 10bps range, now sitting just above 2.39%.

The short-end remains the more stable part of the NZ curve at present, held in place by expectations that the RBNZ is now on hold for a while. NZ 2-year swap closed down 3bps yesterday at 2.27%. The market prices that the RBNZ will raise the OCR from its current level of 1.75%, to 2.0%, by March 2018. This is not far from our own view, and we therefore see NZ 2-year swap as close to ‘fair value’. However, we continue to see a 2.15-2.35% range as probable in the months ahead, partly driven by direction in offshore yields over this time.

At the long-end of the NZ swap curve, yields declined 6bps yesterday. NZ 10-year swap closed at 3.34%. It now appears to have been consolidating since mid-November, following the abrupt global-led surge higher in early-November. The overnight moves have taken the NZ 2-10s swap spread back to 107bps. Over the medium-term we continue to look for a move up to 125bps, though a near-term pullback would not be surprising.

The resignation of NZ PM Key was met with little response from the rates market. Rating agency Moody’s confirmed there were no implications for its Aaa rating of the NZ sovereign.

The widely expected “No” vote from the Italian constitutional referendum, resulted in the resignation of PM Renzi, but little enduring impact on markets. Italian-German 10-year bond spreads briefly spiked higher last evening, but soon returned to trade only a little higher than Friday’s close, at 165bps.

US 10-year yields were on the ascendency from mid-evening. They gained a last little boost, to pop their head above 2.44%, after the release of a stronger than expected US non-manufacturing ISM print. However, they have subsequently drifted lower to now trade at 2.39%.

Today the RBA will meet. The market does not seem very focused on this meeting as global events have dominated sentiment recently. Our NAB colleagues believe the RBA’s
new Governor seems relaxed with the cash rate at its current level of 1.5%. There is no sense of needing to cut again anytime soon, especially as house prices have reaccelerated in some areas.

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### Coming Up

<table>
<thead>
<tr>
<th>Period</th>
<th>Cons.</th>
<th>Prev.</th>
<th>NZT</th>
</tr>
</thead>
<tbody>
<tr>
<td>AU Net exports as % of GDP</td>
<td>Q3 0.0</td>
<td>-0.2</td>
<td>13.30</td>
</tr>
<tr>
<td>AU RBA cash rate target</td>
<td>6-Dec</td>
<td>1.5</td>
<td>1.5</td>
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<tr>
<td>GE Factory orders, m/m, %</td>
<td>Oct 0.6</td>
<td>-0.6</td>
<td>20.00</td>
</tr>
<tr>
<td>EZ GDP, sa, q/q, %</td>
<td>Q3 F 0.3</td>
<td>0.3</td>
<td>23.00</td>
</tr>
<tr>
<td>US Unit labour costs</td>
<td>Q3 F</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>US Durable goods orders</td>
<td>Oct F</td>
<td>3.4</td>
<td>4.8</td>
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Source: Bloomberg, BNZ
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