

# Research Markets Today

6 October 2023

## Events Round-Up

AU: Trade Balance (\$m), Aug: 9640 vs. 8700 exp.

US: Trade Balance (\$bn), Aug: -58.3 vs. -59.9 exp.

US: Initial Jobless Claims (k), Sep 30: 207 vs. 210 exp.

## Good Morning

US equities slipped in overnight trade though remained above the 3-month lows reached earlier in the week at the height of the bond market selloff. Oil prices extended lower having suffered the largest daily decline in a year the previous day. Brent crude fell to lows near US\$84 per barrel, down 14% from the late September highs. Global bond yields are lower with more subdued market moves after the recent volatility and the US dollar is weaker.

US initial jobless claims remained steady at 207k which was marginally below consensus estimates for 210k. The 4-week moving average edged down to 209k. This is the lowest since February and points towards resilience in the labour market ahead of key nonfarm payrolls data released this evening. Continuing claims were also little changed at 1.7 million in the week ending September 23.

The US trade deficit fell to \$58.3bn in August, its lowest level since June 2020. Exports rose 1.6% m/m and Americans reduced spending on goods from overseas with imports falling 0.7% m/m which points to softer domestic demand following rapidly rising borrowing costs. Net trade is expected to make a positive contribution to Q3 GDP.

US treasury yields edged lower across the curve not withstanding a small spike higher aligned with the jobless claims data. US 10-year yields increased from 4.71% up to the session highs of 4.77% before retracing quickly back to pre-data levels. The reaction to claims data was unusually large and points to ongoing fragile sentiment after the significant bond market weakness recently. 2-year treasury yields fell 3bps contributing to a further steepening of the 2y/10y curve to -30bp.

European bond markets also moved lower in yield. 10-year bund yields closed down 4bp to 2.88%. Bank of England (BOE) Deputy Governor Broadbent warned that there are 'clear signs' that higher rates are creating a drag on the economy and causing unemployment to pick up. Front end gilt yields fell 6bp while 10-year yields ended down 4bps at

4.54%. The market is pricing about 15bp of additional hikes by the BOE and a 30% chance of a 25bps hike at the next meeting in early November.

In currency markets, the US dollar was marginally weaker. EUR/USD oscillated in a narrow range around 1.0520 while USD/JPY retested the Asian session lows near 148.40. USD/JPY dropped sharply yesterday afternoon with the market still on edge following the 'flash crash' earlier in the week where USD/JPY fell close to 2% in a matter of seconds. After a temporary dip, NZD/USD is marginally higher overnight. NZD/AUD traded higher since the local close, and is back toward 0.9370, having largely retraced the post-RBNZ fall.

An initial offshore driven rally across NZ fixed interest markets faded ahead of weekly supply from New Zealand Debt Management in the local session yesterday. Bid-cover ratios across the 15 May 2028 and 15 April 2033 maturities were below average with the latter bond offered for the first time since the tap syndication back in July. The May 2041 line was well supported. 10-year bonds closed down 2bps at 5.52% with government bonds marginally underperforming swaps. The New Zealand Local Government Funding Agency (LGFA) announced it has raised its 2023/24 bond issuance programme by NZ\$300 million to NZ\$4.5 billion. The increase reflects larger-than-expected funding requirements from councils.

There is no regional data of note today. US labour market data will be the focus overnight. Consensus expectations are for a 168k increase in nonfarm payrolls while the unemployment rate is expected to dip to 3.7% after the 0.3% jump to 3.8% in August.

[stuart.ritson@bnz.co.nz](mailto:stuart.ritson@bnz.co.nz)

## Coming Up

		Period	Cons.	Prev.	NZT
GE	Factory Orders (m/m%)	Aug	1.5	-11.7	19:00
US	Change in Nonfarm Payrolls (k)	Sep	168	187	01:30
US	Unemployment Rate (%)	Sep	3.7	3.8	01:30
US	Average Hourly Earnings (m/m%)	Sep	0.3	0.2	01:30
US	Average Hourly Earnings (y/y%)	Sep	4.3	4.3	01:30
CA	Unemployment Rate (%)	Sep	5.6	5.5	01:30
CA	Hourly Wage Rate (y/y%)	Sep	5.1	5.2	01:30

Source: Bloomberg, BNZ

Indicative overnight ranges (*)							Other FX			Equities				Commodities**		
	Last	% Day	Low	High		Last	% Day	Major Indices			Price					
						Last	% Day	Last	% Day	% Year		Last	Net Day			
NZD	0.5961	+0.8	0.5921	0.5963	CHF	0.9136	-0.4	S&P 500	4,251	-0.2	12.4	Oil (Brent)	84.41	-1.5		
AUD	0.6364	+0.6	0.6327	0.6366	SEK	11.023	-0.4	Dow	33,104	-0.1	9.3	Oil (WTI)	82.83	-1.5		
EUR	1.0537	+0.3	1.0500	1.0540	NOK	10.969	-0.2	Nasdaq	13,205	-0.3	18.4	Gold	1816.6	-0.1		
GBP	1.2182	+0.4	1.2108	1.2188	HKD	7.831	+0.0	Stoxx 50	4,100	-0.0	18.9	HRC steel	705.0	+2.0		
JPY	148.43	-0.5	148.31	149.12	CNY	7.298	-0.2	FTSE	7,452	+0.5	5.7	CRB	275.4	-2.2		
CAD	1.3716	-0.2			SGD	1.368	-0.3	DAX	15,070	-0.2	20.4	Wheat Chic.	606.5	+2.9		
NZD/AUD	0.9367	+0.2			IDR	15,618	-0.1	CAC 40	6,998	+0.0	16.9	Sugar	26.16	+0.9		
NZD/EUR	0.5657	+0.5			THB	36.96	+0.1	Nikkei	31,075	+1.8	13.8	Cotton	86.72	-0.5		
NZD/GBP	0.4893	+0.4			KRW	1,351	-1.0	Shanghai	3,110	+0.1	2.3	Coffee	145.4	-0.8		
NZD/JPY	88.48	+0.4			TWD	32.30	-0.2	ASX 200	6,925	+0.5	1.6	WM powder	3110	+2.0		
NZD/CAD	0.8176	+0.6			PHP	56.68	-0.0	NZX 50	11,309	+0.7	1.7	<b>Australian Futures</b>				
NZ TWI	70.89	+0.6										3 year bond	95.95	0.09		
												10 year bond	95.41	-0.01		
<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		Last			
USD	5.50	5.68	4.93	4.41	USD	4.72	-0.01	15-Apr-25	5.74	-0.05	1 year	5.91	-0.03			
AUD	4.10	4.14	4.25	4.86	AUD	4.57	-0.09	15-Apr-27	5.47	-0.04	2 year	5.73	-0.05			
NZD	5.50	5.70	5.73	5.34	NZD	5.52	-0.02	15-May-28	5.42	-0.04	5 year	5.36	-0.03			
EUR	4.00	3.96	3.76	3.43	GER	2.88	-0.04	15-May-31	5.48	-0.03	7 year	5.32	-0.03			
GBP	5.25	5.42	5.14	4.43	GBP	4.54	-0.04	14-Apr-33	5.52	-0.02	10 year	5.34	-0.03			
JPY	-0.01	-0.03	0.21	1.01	JPY	0.81	0.00	15-May-41	5.76	-0.01	15 year	5.41	-0.03			
CAD	5.00	5.53	5.35	4.60	CAD	4.14	-0.01	15-May-51	5.75	-0.01						

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

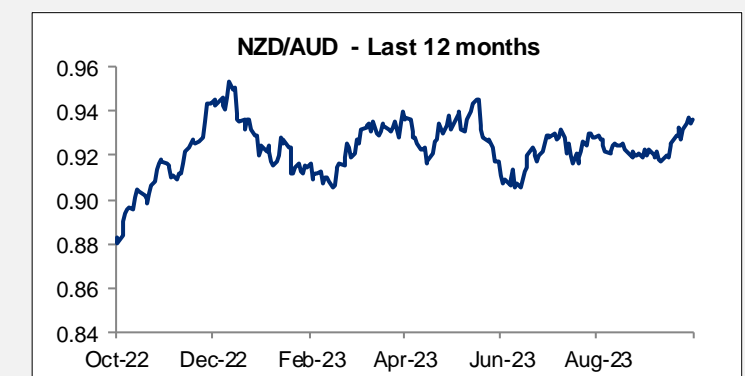
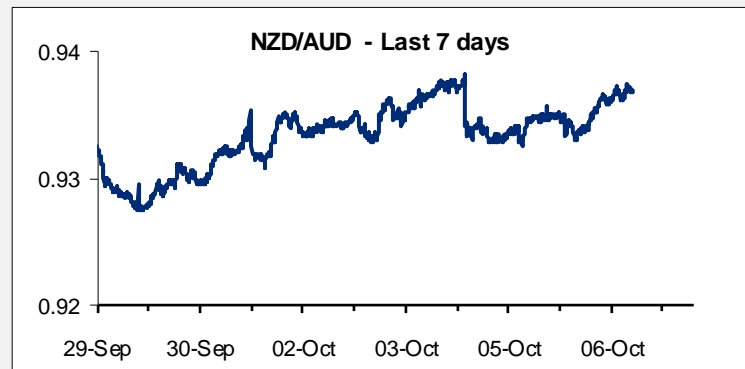
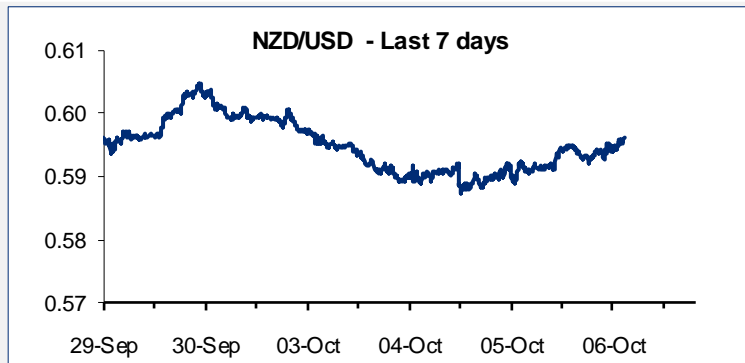
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:56

Source: Bloomberg

**NZD exchange rates**

5/10/2023	6:56 am	Prev. NY close
USD	0.5961	0.5913
GBP	0.4893	0.4873
AUD	0.9367	0.9349
EUR	0.5657	0.5629
JPY	88.48	88.17
CAD	0.8176	0.8127
CHF	0.5446	0.5423
DKK	4.2191	4.1978
FJD	1.3678	1.3643
HKD	4.6679	4.6292
INR	49.63	49.22
NOK	6.5388	6.5032
PKR	169.07	168.31
PHP	33.79	33.53
PGK	2.1915	2.1659
SEK	6.5705	6.5441
SGD	0.8153	0.8113
CNY	4.3503	4.3235
THB	22.01	21.92
TOP	1.4056	1.4032
VUV	73.42	73.03
WST	1.6469	1.6445
XPF	67.46	67.02
ZAR	11.6291	11.4318



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.16	0.57
3 Months	0.63	1.19
6 Months	-0.12	1.14
9 Months	-6.05	-2.06
1 Year	-14.37	-10.94

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-10.55	-9.63
3 Months	-31.69	-30.35
6 Months	-60.96	-57.56
9 Months	-92.63	-83.57
1 Year	-122.13	-112.73

# 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 4, Spark Central  
42-52 Willis 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

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