

RBNZ delivers another 50bp cut, as expected

The RBNZ cut the OCR by 50bps to 4.25%, in line with our expectations. Based on the OCR forecasts and the commentary, the RBNZ did an artful job of keeping its options wide open for February. The OCR track implies a decent chance of a 50bp cut at the next meeting in February. Meanwhile, the language and commentary steered clear of trying to tone down the market's gung-ho pricing of a dead certain 50bp cut in February. The RBNZ has not shackled itself to any particular outcome, and did constrain the rebound in interest rates that was inevitable if it didn't clearly signal another 50bp is already a done deal. From here we expect the RBNZ will slow the pace of easing to 25bp moves in 2025, but the risk is a further 50bp cut in February. In the media conference the Governor didn't go out of his way to temper expectations for next year, implying the door is open for 50bp in February. However, the ultimate pace will be dictated by events (see our MPS review [here](#)).

Market reaction: NZD/USD jumped by almost 1% after the RBNZ cut the OCR, suggesting market participants thought the RBNZ's post meeting statement was hawkish. The NZD has continued to grind higher overnight, to trade back above 0.5900 this morning. Swap rates rose roughly 3-8bp in the aftermath of the Statement, but did rally off the highs. Variable borrowing rates have been adjusted lower in the wake of the announcement.

The **S&P/NZX 50 Index** gained 0.8% on turnover of \$169 million. The index has risen 12.6% so far this year, and yesterday's close was the highest in over three years ([read more](#)).

Australia's headline inflation remained weak at 2.1%/yr. However, the trimmed CPI accelerated from 3.2%/yr in September to 3.5%/yr in October. The details were dovish, however, particularly housing. As a result, our Australian economics team now predict trimmed inflation was only 0.6%/qtr. If true, inflation would be lower than the Reserve Bank of Australia's (RBA) forecast. CBA are now more confident the RBA will cut the cash rate before current market pricing suggests.

The volume of total **Australian construction work done** rose by 1.6% to \$A73.3bn in Q3 24. This is 3.2% higher than a year ago. The previous quarter also saw a solid revision, up from a previously reported 0.1%, to 1.1% given the initial release of the data includes a response rate of about 80% of surveyed construction entities. The construction data in totality is a net positive for Q3 24 GDP (data due next Wednesday).

US data wrap: Gross domestic product increased at a 2.8% annualised pace in the third quarter, the second estimate of the figures from the Bureau of Economic Analysis showed on Wednesday. The growth reflects a broad-based advance in consumer spending and steady business investment. Meanwhile, the core personal consumption expenditures price index increased 2.8% from October last year and 0.3% from a month earlier, Bureau of Economic Analysis data showed (source Bloomberg).

US and European sharemarkets were down overnight, with all the main benchmarks in the red, and the Euro Stoxx 50 down 0.6%. In the US the three main benchmarks are down between 0.3% (DJIA) and 0.7% (NASDAQ). In Asia, markets were mixed. Japan's Nikkei benchmark was down 0.8%, while Chinese sharemarket benchmarks were up 1.5% or more. The Australian market was up 0.6%.

Day ahead: Locally, October filled jobs data is released today. We expect modest non-seasonally adjusted gains in October hiring, given the gloomy headlines, subdued economic activity, and acute pressures on firm profitability. ANZ's business outlook survey for November is due this afternoon. We expect the survey to show some improvement in business sentiment, highlighting positive expectations for economic activity, employment, profitability, and investment over the next 12 months, albeit from a weak starting point. Confidence data are due in Europe tonight, while in the US the data calendar is bare as Thanksgiving is celebrated.

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Currencies			Currencies			Commodities			Equities		
NZD/USD	0.5901	1.4%	NZD/SEK	6.441	0.5%	NZX WMP	3960.0	1.1%	Dow	44758	-0.2%
NZD/AUD	0.9083	0.7%	NZD/DKK	4.165	0.4%	Gold \$/o	2638.8	0.2%	S&P 500	6000	-0.4%
NZD/EUR	0.5585	0.4%	NZD/THB	20.4	-4.3%	WTI Oil \$/b	68.8	-0.7%	NASDAQ	19059	-0.6%
NZD/JPY	89.00	-0.2%	AUD/USD	0.6497	0.7%	Money Market (%)			FTSE	8275	0.2%
NZD/GBP	0.4655	0.3%	EUR/USD	1.057	1.0%	90 Day BB	4.37	0.04	CAC-40	7143	-0.7%
NZD/CAD	0.8278	1.1%	USD/JPY	150.9	-1.6%	OCR	4.75	0.00	DAX	19262	-0.2%
NZD/CHF	0.5200	0.6%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	19603	2.3%
NZD/HKD	4.592	1.4%	NZ	4.45	0.03	1yr	3.87	0.05	Nikkei	38135	-0.8%
NZD/SGD	0.7908	0.8%	US	4.23	-0.07	2yr	3.71	0.10	ASX200	8407	0.6%
NZD/CNH	4.276	0.4%	Aust	4.42	-0.03	5yr	3.79	0.06	NZX50	13213	-

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