

# Morning Report

<b>NZX 50</b>	3784.5	+29.7	<b>CRB</b>	303.4	-3.6	<b>AUD</b>			<b>USD</b>		
<b>All Ords</b>	5352.9	-14.8	<b>Gold</b>	604.5	-3.0	<b>Cash</b>	6.00%	0.00	<b>Fed Funds</b>	5.25%	0.00
<b>Nikkei</b>	16399.4	+47.5	<b>Oil (WTI)</b>	57.53	-1.07	<b>90 Day</b>	6.38%	+0.03	<b>3 Mth Libor</b>	5.37%	0.00
<b>FT100</b>	6129.2	+2.4	<b>NZ TWI</b>	66.91	+0.34	<b>5 Year Bond</b>	5.89%	0.00	<b>10 Year Notes</b>	4.62%	-0.06
<b>DJI</b>	12031.4	-53.8				<b>10 Year Bond</b>	5.67%	+0.02	<b>30 Year Bonds</b>	4.73%	-0.06

## Foreign Exchange Market

	Previous Range	Today's Open	Expected
	Asia	Overnight	8.00 am NZD cross
			Range Today
NZD	0.6644 - 0.6673	0.6645 - 0.6716	↑0.6706
AUD	0.7685 - 0.7703	0.7673 - 0.7755	↑0.7748
JPY	117.10 - 117.72	116.62 - 118.05	↓116.95
EUR	1.2706 - 1.2725	1.2679 - 1.2783	↑1.2764
GBP	1.8985 - 1.9015	1.8959 - 1.9100	↑1.9075

## NZ Domestic Market

(Previous day's closing rates)

	Cash Curve	Govt Stock	Swap Rates (Qtrly)
Cash	7.25%	Nov-06	7.26%
30 Days	7.51%	Jul-09	6.56%
60 Days	7.53%	Nov-11	6.21%
90 Days	7.56%	Apr-13	5.94%
180 Days	7.67%	Apr-15	5.76%
1 Year	7.75%	Dec-17	5.71%
			10 Years
			7.61%
			2 Years
			7.42%
			3 Years
			7.29%
			4 Years
			7.14%
			5 Years
			7.02%
			7 Years
			6.81%
			10 Years
			6.68%

## New Zealand Dollar

### Slowing US business activity propels NZD

The NZD traded a tight range in our local session after early gains following the NBNZ business confidence survey which showed softer price indicators but stronger activity. USD weakness overnight has sparked further rallies in the NZD. The NZD jumped sharply to new 8 month highs of 0.6716. This morning the NZD opens around 0.6704.

## Australian Dollar

### AUD close to 6 month highs

The AUD followed a similar pattern to the NZD with a quiet day through the local session, with a range of 0.7685/0.7703. Sep credit growth expanded 1.0% and 14.4% for the year. The weaker USD triggered the AUD higher with the overnight high 0.7755, which is its highest level since early May 2006. The NZD/AUD cross remained relatively unchanged yesterday due to both currencies moving inline, today we see the NZD/AUD open around 0.8657.

## Major Currencies

### USD resumes its weakening trend

The USD continued its recent weakening trend overnight, prompted by weaker-than-expected Chicago PMI (a respected business measure) for October, which fell to its lowest level in over a year. Coupled with recent bearish sentiment this saw the USD trade as low as 116.65 against the JPY and around 1.2780 against the euro before settling slightly higher. Doubts about potential US economic growth continue to weigh against the dollar. Elsewhere, US consumer confidence also fell, further adding to the negative sentiment.

**Japanese data:** unemployment rate ticked up to 4.2% in Sep, while the jobs-to-applicants ratio was stable at 1.08. Housing starts rose 4.0%/yr, annualised level 1298k. Construction orders rose 9.0% from a year ago in Sep.

**US Chicago PMI falls from 62.1 to 53.5 in Oct,** maintaining its

volatile tradition. However the detail was mostly still positive: readings of 59 for orders, 57 for jobs and 54 for orders are still consistent with a manufacturing sector in decent shape. Some forecasters have revised down their estimates for the national ISM tomorrow, but we are sticking with our forecast rise from 52.9 to 53.5 – not least because Chicago tends to be a contra-indicator of the ISM. US consumer confidence was revised up by 1.4 pts in Sept but slipped a little in Oct. That is surprising given the Dow hit 12,000 for the first time and gasoline prices kept falling (though at a slower pace than in Sept). Expectations did post a further rise in October, but the present measure fell, with deterioration in both the jobs plentiful (lower) and harder to get (higher) measures of job market sentiment.

**US Q3 employment cost index rose 1.0%,** its fastest quarterly gain in over two years. That reflected steady money earnings growth but faster benefits growth. After nearly two years of decelerating annual growth in employment costs, firms are now seeing signs that the relatively tight labour market is finally starting to push costs up again.

**Canadian GDP growth accelerated to 0.3% in Aug,** its fastest pace since Feb, boosted by stronger services sector growth and energy output.

**A friendly mix of European data for Oct,** with confidence either hitting new highs or staying close to those highs on a range of business and consumer indices, but inflation falling further to 1.6% yr. The only negative was the third straight fall in German retail sales, down 1.9% in Sep.

**UK household data mixed.** Consumer confidence rose from -7 to -5, responding more to falling petrol prices in Oct than it did in Sep. However the CBI retail survey was very weak, though that may be catch-up to the sluggish official retail sales report for September. Meanwhile, house prices keep rising, up a further 0.7% in October.

## Events Today

Country	Release	Last	Forecast
Aust	Sep Dwelling Approvals	-12.6%	5.0%
	Oct AIG PMI	53.5	n/f
US	Oct ADP Private Payrolls Chg	78k	n/f
	Sep Construction Spending	0.3%	0.3%
	Oct ISM Manufacturing	52.9	53.5
	Sep Pending Home Sales	4.3%	-2.0%
	Oct Auto Sales mn ann'lsd	16.6	16.0
	Fedspeak		
Eur	Oct PMI Manufacturing	56.6	56.3
UK	Oct PMI Manufacturing	54.4	53.8

## Latest Research Papers/Publications

- NZ Weekly Forex Outlook (30 October)
- NZ RBNZ OCR Review (26 October)
- NZ Q3 CPI Review (25 October)
- NZ Weekly Forex Outlook (24 October)
- NZ Q3 CPI Preview/OCR Preview (18 October)
- Inflation expectations and the OCR (16 October)
- NZ Weekly Forex Outlook (16 October)
- Off the fence (13 October)
- NZ Economic Overview October 2006 (11 October)

These papers/publications are available on Online Research on Westpac Institutional Bank's website ([www.wib.westpac.co.nz](http://www.wib.westpac.co.nz))