

Research Markets Today

1 February 2024

Events Round-Up

JN: Industrial Production (m/m%), Dec P, 1.8 vs. 2.5 exp.
 NZ: ANZ Activity Outlook, Jan: 25.6 vs. 29.3 prev.
 AU: CPI (q/q%), 4Q: 0.6 vs. 0.8 exp.
 AU: CPI (y/y%), 4Q: 4.1 vs. 4.3 exp.
 AU: CPI Trimmed Mean (q/q%), 4Q: 0.8 vs. 0.9 exp.
 AU: CPI Trimmed Mean (y/y%), 4Q: 4.2 vs. 4.3 exp.
 CH: Manufacturing PMI, Jan: 49.2 vs. 49.3 exp.
 CH: Non-manufacturing PMI, Jan: 50.7 vs. 50.6 exp.
 GE: Unemployment Claims Rate SA, Jan: 5.8 vs. 5.9 exp.
 GE: CPI EU Harmonized (m/m%), Jan P: -0.2 vs. -0.2 exp.
 GE: CPI EU Harmonized (y/y%), Jan P: 3.1 vs. 3.2 exp.
 US: ADP Employment Change (k), Jan: 107 vs. 150 exp.
 CA: GDP (m/m%), Nov: 0.2 vs. 0.1 exp.
 US: Employment Cost Index (q/q%), 4Q: 0.9 vs. 1.0 exp.
 US: MNI Chicago PMI, Jan: 46 vs. 48 exp.

Good Morning

Weaker technology stocks contributed to a fall in US equities as the market looks ahead to the FOMC this morning (NZT). The Federal Reserve is expected to transition away from a tightening bias and prepare the way for easier policy in coming meetings. A plunge in the shares of New York Community Bank, which bought the failed Signature Bank last year, reignited concerns about US regional banks and impacted market sentiment. Global bond yields moved lower underpinned by softer than expected US data and signs of easing inflation in Europe.

The ADP measure of US private sector employment rose less than expected. According to ADP, jobs rose 107k compared with consensus estimates of 150k though this has not been a reliable indicator for official payrolls data. Separately the employment cost index, which is closely watched by the Fed, increased 0.9% q/q which was below consensus estimates. It is the smallest increase since Q2-21 and suggests that wage pressures are easing despite the low unemployment rate and solid payrolls gains.

There were further signs of cooling inflation pressures in Europe with both German and French CPI printing below expectations ahead of data for the Eurozone this evening. German CPI rose 3.1% y/y in January, down from 3.8% in December, and was below consensus estimates of 3.2%.

The market firmed expectations for ECB rate cuts. A 25bps rate cut is fully priced for the April meeting which supported a rally across European bonds.

US treasuries moved lower in yield led by the front end as the softer than expected data and soft risk sentiment saw investors raise the chance of a rate cut by the Fed at the March FOMC. 2-year yields fell 11bps to 4.23% while 10-year yields slipped below 4.0%. The Treasury's quarterly refunding announcement, which details the size of bond supply, was in line with expectations. The Treasury also indicated there will be no further increase in issuance volumes in coming quarters.

The prospect of easier monetary policy weighed on the US Dollar. The dollar index has fallen close to 0.5% since the local close yesterday. The yen outperformed amongst the majors and reached a 2-week high against the dollar given its sensitivity to the move in US treasury yields and defensive properties amid renewed concerns about US regional banks. EUR/USD slipped initially following the soft inflation prints but recovered in line with broader dollar weakness.

NZD/USD rebounded sharply off the lows near 0.6110 reached in early European trade. The softer than expected US data contributed to a move above 0.6170 before retracing. NZD/AUD has maintained levels above 0.9300 in offshore trade after advancing yesterday following the softer than expected Q4 CPI data in Australia.

NZ government bond yields ended the local session yesterday lower in yield amid month end demand. 10-year bond yields fell 7bps to 4.60% with smaller moves in the front end contributing to a further yield curve flattening. Australian bond futures are ~8bp lower in yield since the local close yesterday, and combined with the move in US treasuries, suggest a downward bias for NZGB yields on the open.

New Zealand Debt Management is tendering bonds today. NZ\$500 million of nominal NZGBs are offered split across 15 May 2030 (\$250m), 14 Apr 2033 (\$175m) and 15 May 2051 (\$75m). In addition, NZ\$30 million of the Sep 2035 inflation indexed bonds (IIB) will be offered.

The initial focus this morning will be the FOMC and Chair Powell's press conference. As previously mentioned, CPI data is released in the Eurozone this evening and the Bank

of England is expected to leave rates unchanged at 5.25%. In the US, the January ISM manufacturing index is expected to point towards subdued activity with little change from December.

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Coming Up

		Period	Cons.	Prev.	NZT
US	FOMC Rate (Upper Bound)	Jan	5.5	5.5	08:00
US	Fed Chair post-FOMC Press Conference				08:30
AU	Building Approvals (m/m%)	Dec	0.5	1.6	13:30
CH	Caixin China PMI Mfg	Jan	50.8	50.8	14:45
EC	CPI Estimate (y/y%)	Jan	2.7	2.9	23:00
EC	CPI (m/m%)	Jan P	-0.4	0.2	23:00
EC	CPI Core (y/y%)	Jan P	3.2	3.4	23:00
EC	Unemployment Rate	Dec	6.4	6.4	23:00
UK	Bank of England Bank Rate	Jan	5.25	5.25	01:00
US	Nonfarm Productivity	4Q P	2.5	5.2	02:30
US	Initial Jobless Claims	Jan 27	212	214	02:30
US	ISM Manufacturing	Jan	47.2	47.4	04:00

Currencies							Equities				Commodities			
Indicative overnight ranges (*)					Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day
NZD	0.6144	+0.1	0.6108	0.6174	CHF	0.8593	-0.3	S&P 500	4,886	-0.8	19.9	Oil (Brent)	81.75	-1.4
AUD	0.6599	-0.1	0.6561	0.6623	SEK	10.354	-0.5	Dow	38,479	+0.0	12.9	Oil (WTI)	75.97	-2.4
EUR	1.0852	+0.0	1.0806	1.0887	NOK	10.455	+0.2	Nasdaq	15,298	-1.4	32.1	Gold	2048.5	+0.8
GBP	1.2724	+0.2	1.2667	1.2751	HKD	7.818	-0.0	Stoxx 50	4,648	-0.3	11.6	HRC steel	963.0	+0.2
JPY	146.27	-0.9	146.08	147.90	CNY	7.169	-0.1	FTSE	7,631	-0.5	-1.8	CRB	274.0	+1.2
CAD	1.3393	-0.0			SGD	1.338	-0.1	DAX	16,904	-0.4	11.7	Wheat Chic.	604.0	-1.9
NZD/AUD	0.9311	+0.2			IDR	15,783	+0.0	CAC 40	7,657	-0.3	8.1	Sugar	23.99	+0.3
NZD/EUR	0.5662	+0.1			THB	35.41	+0.1	Nikkei	36,287	+0.6	32.7	Cotton	85.12	+0.4
NZD/GBP	0.4829	-0.0			KRW	1,335	+0.4	Shanghai	2,789	-1.5	-15.1	Coffee	193.7	-0.3
NZD/JPY	89.87	-0.8			TWD	31.29	+0.5	ASX 200	7,681	+1.1	2.4	WM powder	3365	+0.0
NZD/CAD	0.8229	+0.1			PHP	56.30	-0.2	NZX 50	11,872	-0.4	-1.8	Australian Futures		
NZ TWI	71.65	+0.1						VIX Index	14.18	+6.5	-26.9	3 year bond	96.46	0.15
												10 year bond	96.00	0.16
Interest Rates							NZ Government Bonds				NZ BKBM and Swap Yields			
	Rates		Swap Yields		Benchmark 10 Yr Bonds									
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last	Chg		Last	Chg	
USD	5.50	5.57	4.08	3.59	USD	3.95	-0.08	15-May-26	4.61	-0.02	BKBM 1-mth	5.59	0.00	
AUD	4.35	4.35	3.84	4.24	AUD	4.01	-0.13	15-Apr-27	4.46	-0.02	BKBM 3-mth	5.67	0.01	
NZD	5.50	5.67	4.78	4.40	NZD	4.60	-0.07	15-May-28	4.39	-0.03	1 year	5.34	-0.00	
EUR	4.00	3.90	2.86	2.56	GER	2.17	-0.10	20-Apr-29	4.37	-0.03	2 year	4.78	-0.00	
GBP	5.25	5.32	4.22	3.59	GBP	3.79	-0.11	15-May-30	4.42	-0.04	3 year	4.49	-0.02	
JPY	-0.01	-0.03	0.22	0.91	JPY	0.73	0.02	15-May-31	4.48	-0.05	5 year	4.31	-0.04	
CAD	5.00	5.40	4.39	3.71	CAD	3.35	-0.05	15-May-32	4.52	-0.05	7 year	4.31	-0.05	
					NZ Inflation-Indexed Bonds			14-Apr-33	4.56	-0.06	10 year	4.40	-0.07	
* These are indicative ranges from 5pm NZT;					Sep-30	2.37	-0.05	15-May-34	4.60	-0.07	15 year	4.55	-0.08	
please confirm rates with your BNZ dealer					Sep-35	2.68	-0.05	15-May-41	4.85	-0.07				
Rates are as of: NZT 06:48					Sep-40	2.91	-0.05	15-May-51	4.85	-0.07				
Source: Bloomberg														

* These are indicative ranges from 5pm NZT;

please confirm rates with your BNZ dealer

Rates are as of: NZT 06:48

Source: Bloomberg

NZD exchange rates

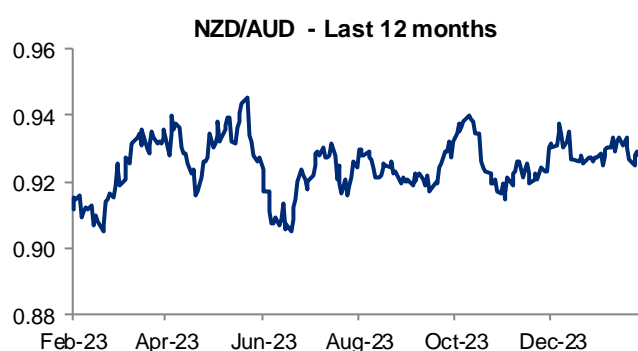
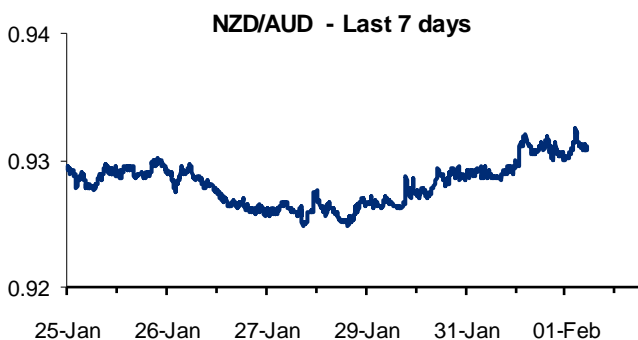
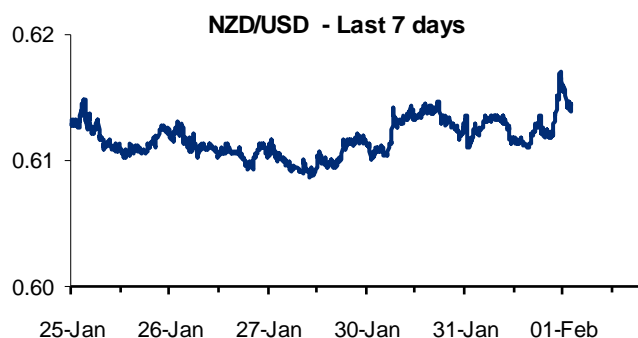
1/02/2024	6:48 am	Prev. NY close
USD	0.6144	0.6136
GBP	0.4829	0.4831
AUD	0.9311	0.9294
EUR	0.5662	0.5658
JPY	89.87	90.57
CAD	0.8229	0.8221
CHF	0.5280	0.5288
DKK	4.2201	4.2174
FJD	1.3791	1.3842
HKD	4.8032	4.7971
INR	51.02	51.00
NOK	6.4238	6.4059
PKR	171.72	171.51
PHP	34.59	34.61
PGK	2.3080	2.2896
SEK	6.3614	6.3884
SGD	0.8218	0.8218
CNY	4.4046	4.4043
THB	21.79	21.70
TOP	1.4305	1.4465
VUV	74.27	74.20
WST	1.6729	1.6625
XPF	67.57	67.38
ZAR	11.4540	11.5354

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.13	0.60
3 Months	-0.55	0.05
6 Months	-6.05	-5.05
9 Months	-14.51	-11.50
1 Year	-23.03	-19.81

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.86	-8.46
3 Months	-27.16	-25.68
6 Months	-53.19	-50.27
9 Months	-76.74	-69.47
1 Year	-95.02	-86.19



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