

Research Markets Today

1 March 2024

Events Round-Up

NZ: ANZ activity outlook, Feb: 29.5 vs. 25.6 prev.
 AU: Retail sales (m/m%), Jan: 1.1 vs. 1.5 exp.
 GE: Unemployment rate (%), Feb: 5.9 vs. 5.8 exp.
 GE: CPI EU harmonised (y/y%), Feb: 2.7 vs. 2.7 exp.
 CA: GDP (ann'lsd q/q%), Q4: 1.0 vs. 0.8 exp.
 US: Personal income (n/n%), Jan: 1.0 vs. 0.4 exp.
 US: Real personal spending, Jan: -0.1 vs. -0.1 exp.
 US: PCE core deflator (m/m%), Jan: 0.4 vs. 0.4 exp.
 US: PCE core deflator (y/y%), Jan: 2.8 vs. 2.8 exp.
 US: Initial jobless claims, wk to 24 Feb: 215 vs. 210 exp.
 US: Chicago PMI, Feb: 44.0 vs. 48.0 exp.
 US: Pending home sales (m/m%), Jan: -4.9 vs. 1.5 exp.

Good Morning

There has been plenty of news to digest over the past 24 hours. In-line US PCE deflator data came as a relief and triggered a rally in the bond market, seeing US Treasury yields lower across the curve. US equities are flat. The NZD is little changed from this time yesterday, at 0.6080, while a hawkish speech by a BoJ board member has seen a sustained lift in the yen.

There has been a barrage of economic releases overnight, the key one being the US PCE deflator, which is the Fed's preferred inflation gauge. The PCE deflators were bang in line with market expectations, with the core measure up 0.4% m/m and 2.8% y/y and thereby confirming the jump in inflation in January, as alluded to by prior CPI and PPI data. Inflation-adjusted personal spending was also in line, falling 0.1% m/m. The report also showed stronger than expected income growth at 1.0% m/m, driven by the uplift in social security payments (via cost-of-living adjustments) and a large jump in dividends, as opposed to stronger wages.

Speaking after the release, Chicago Fed President Goolsbee said that one should be careful in extrapolating the January PCE deflator data forward, a sentiment shared by most. Indeed, the market was relieved that the data didn't surprise on the upside and took rates lower after the release. Supporting that move, initial jobless claims rose a larger-than-expected 13k last week to 215k. Some

unfavourable seasonals might have been at play and the four-week moving average still ticked lower.

Second-tier US data were weaker than expected, with pending home sales unexpectedly plunging 4.9% in January and the Chicago PM unexpectedly falling to 44, going against the grain of the lift in four other regional Fed manufacturing surveys.

US Treasury yields are modestly lower across the curve for the day, with a flattening bias. The 10-year rate had pushed up to around 4.32% ahead of the PCE deflator data, and fell thereafter, trading under 4.25% as we go to print, down 3bps from the NZ close.

Elsewhere, annual German CPI inflation fell to 2.7% y/y, as expected, while inflation fell to 3.1% in France and 2.9% in Spain. Euro area data are released tonight and, based on these regional indicators, there should be little change to the consensus estimate that inflation fell to 2.5% y/y, from 2.8%. The ECB is as much interested in wage inflation data for any consideration of rate cuts. Germany's 10-year rate largely tracked US rates, climbing as high as 2.51% before falling 10bps or so to 2.41%.

Canadian GDP grew an annualised 1.0% in Q4, slightly higher than consensus, and above the Bank of Canada's forecast of zero growth. This was a rebound from the upwardly revised 0.5% contraction in Q3, while preliminary data showed a 0.4% m/m expansion in January, the strongest monthly pace in a year. There was little market reaction, with the first full rate cut not priced until July.

The US data triggered a weaker USD but, unlike Treasury yields, completely reversed course, leaving it slightly higher for the day. JPY has been the strongest performer over the past 24 hours. Yesterday, a speech from BoJ board member Takata was read as hawkish by the market, sending the yen on a stronger path. He said "my view is that the price target is finally coming into sight" adding that the Bank needed to consider flexible and nimble steps including an exit from the yield curve control framework and ending negative rates. His comments add to the debate on the timing of a hawkish pivot by the BoJ, with every meeting from now considered live for any tweaks to the policy stance. USD/JPY dropped to as low as 149.20 overnight, but the recovery in the USD sees it back around 150.

The USD leg has been in the driving seat for the NZD, with a climb above 0.61 as the USD fell, but it is now back to around 0.6080, little changed from this time yesterday. NZD/JPY has fallen to 91.2. Net currency movements have been modest overall. European currencies have been on the weaker side of the ledger, seeing NZD crosses slightly higher. The nudge lower in NZD/AUD during NZ trading hours has been sustained overnight and the cross rate is currently 0.9365, with the AUD a shade under 0.65.

The domestic rates market saw some residual receive-side pressure post RBNZ MPS, seeing swap rates down 3bps across the curve, with the 2-year rate back below the 5% mark, closing at 4.98%. The OIS market sees little chance of the RBNZ hiking and the first full 25bps rate cut priced by October. NZGBs underperformed swaps again, with rates largely unchanged across the curve. At the weekly bond tender there was better demand for the shorter dated (2028) bonds on offer compared to the longer dated bonds. The ANZ business outlook survey contained little to change our view of the world, with the post-election boost to confidence and activity expectations being sustained, and inflation indicators edging lower, albeit still remaining too high for comfort.

In the day ahead, NZ consumer confidence and building permit data are released. The key global releases include

China PMI data, expected to be little changed, euro area CPI data, expected to show weaker annual headline and core inflation, and the US ISM manufacturing survey, with the regional surveys pointing to more upside than downside.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ consumer confidence	Feb	93.6	10:00	
NZ	Dwelling consents (m/m%)	Jan	3.7	10:45	
CH	Manufacturing PMI	Feb	49.0	49.2	14:30
CH	Non-manufacturing PMI	Feb	50.9	50.7	14:30
CH	Caixin PMI manufacturing	Feb	50.7	50.8	14:45
EC	CPI (y/y%)	Feb	2.5	2.8	23:00
EC	CPI core (y/y%)	Feb	2.9	3.3	23:00
EC	Unemployment rate (%)	Jan	6.4	6.4	23:00
US	U. of Mich. consumer sentiment	Feb	79.6	79.6	04:00
US	ISM manufacturing	Feb	49.5	49.1	04:00
US	U. of Mich. 5-10yr inflation expts.	Feb	2.9	2.9	04:00

Source: Bloomberg, BNZ

Currencies							Equities				Commodities					
Indicative overnight ranges (*)					Other FX		Major Indices				Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day					
NZD	0.6081	-0.3	0.6077	0.6112	CHF	0.8841	+0.6		S&P 500	5,078	+0.2	27.9	Oil (Brent)	83.70	+0.0	
AUD	0.6494	-0.0	0.6487	0.6531	SEK	10.379	+0.4		Dow	38,923	-0.1	19.2	Oil (WTI)	78.64	+0.1	
EUR	1.0799	-0.4	1.0796	1.0856	NOK	10.624	+0.3		Nasdaq	16,024	+0.5	39.9	Gold	2052.8	+0.5	
GBP	1.2618	-0.3	1.2615	1.2682	HKD	7.829	+0.0		Stoxx 50	4,878	-0.1	15.1	HRC steel	797.0	-0.5	
JPY	149.99	-0.5	149.21	150.15	CNY	7.189	-0.1		FTSE	7,630	+0.1	-3.1	CRB	275.3	-0.4	
CAD	1.3579	+0.0			SGD	1.346	+0.0		DAX	17,678	+0.4	15.1	Wheat Chic.	575.0	+0.0	
NZD/AUD	0.9364	-0.3			IDR	15,719	+0.2		CAC 40	7,927	-0.3	9.1	Sugar	22.51	-6.2	
NZD/EUR	0.5631	+0.1			THB	35.87	-0.3		Nikkei	39,166	-0.1	42.3	Cotton	103.07	+2.3	
NZD/GBP	0.4819	+0.0			KRW	1,331	-0.2		Shanghai	3,015	+1.9	-9.0	Coffee	183.7	+1.0	
NZD/JPY	91.21	-0.7			TWD	31.60	+0.0		ASX 200	7,699	+0.5	6.2	WM powder	3255	+1.2	
NZD/CAD	0.8257	-0.3			PHP	56.22	-0.1		NZX 50	11,741	-0.2	-1.1	Australian Futures			
NZ TWI	71.40	-0.3						VIX Index	13.57	-2.0	-34.4	3 year bond	96.30	0.03		
Interest Rates							NZ Government Bonds				NZ BKBM and Swap Yields					
	Rates				Swap Yields		Benchmark 10 Yr Bonds		Last		Chg		Last		Chg	
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day									
USD	5.50	5.60	4.54	3.87	USD	4.25	-0.02	15-May-26	4.78	-0.01		BKBM 1-mth	5.59	-0.07		
AUD	4.35	4.34	4.03	4.38	AUD	4.14	-0.03	15-Apr-27	4.63	-0.01		BKBM 3-mth	5.64	-0.07		
NZD	5.50	5.64	4.98	4.54	NZD	4.75	-0.00	15-May-28	4.56	-0.01		1 year	5.50	-0.01		
EUR	4.00	3.94	3.23	2.73	GER	2.41	-0.05	20-Apr-29	4.55	-0.00		2 year	4.98	-0.03		
GBP	5.25	5.33	4.59	3.84	GBP	4.12	-0.06	15-May-30	4.58	-0.00		3 year	4.68	-0.03		
JPY	-0.01	-0.03	0.26	0.87	JPY	0.71	0.01	15-May-31	4.61	-0.00		5 year	4.47	-0.03		
CAD	5.00	5.33	4.57	3.84	CAD	3.50	-0.02	15-May-32	4.66	-0.00		7 year	4.46	-0.03		
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer							NZ Inflation-Indexed Bonds		14-Apr-33		4.70		10 year		4.54	
Rates are as of: NZT 06:56							Sep-30		2.40		0.02		15 year		4.65	
							Sep-35		2.71		0.02					
							Sep-40		2.89		0.01					
Source: Bloomberg									15-May-54		4.95					

NZD exchange rates

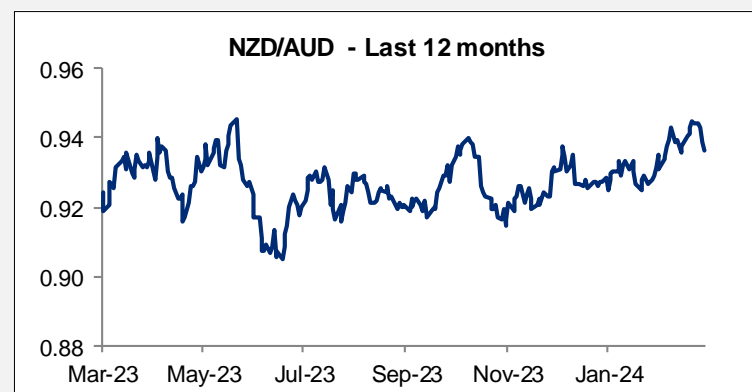
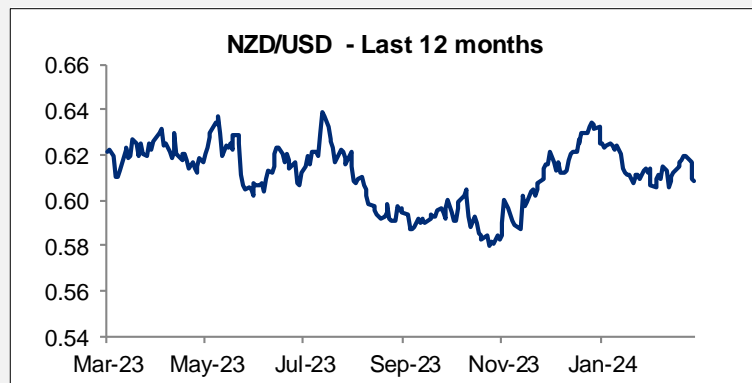
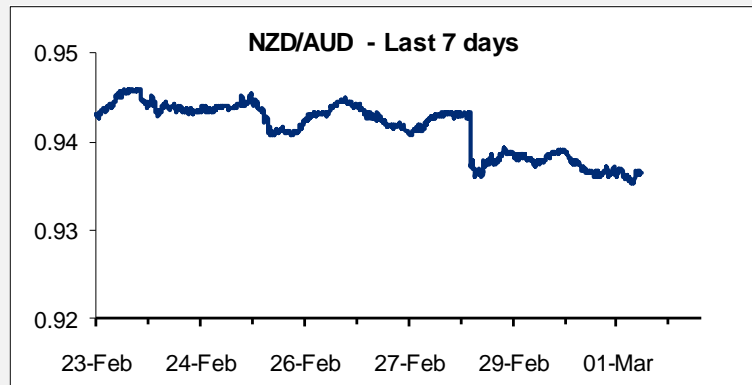
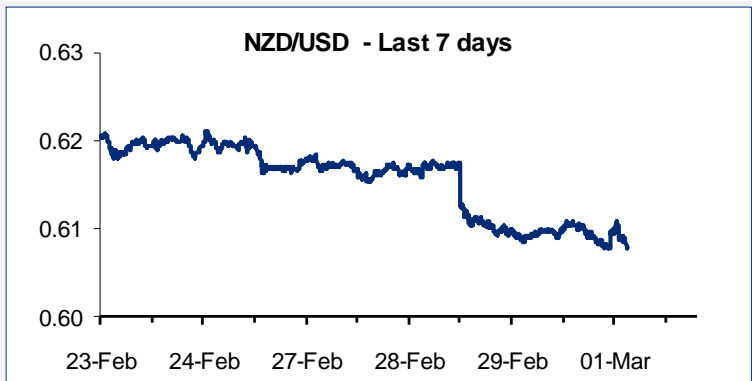
1/03/2024 6:57 am		Prev. NY close
USD	0.6081	0.6098
GBP	0.4819	0.4816
AUD	0.9364	0.9387
EUR	0.5631	0.5626
JPY	91.21	91.89
CAD	0.8257	0.8279
CHF	0.5376	0.5359
DKK	4.1973	4.1938
FJD	1.3830	1.3850
HKD	4.7609	4.7735
INR	50.42	50.57
NOK	6.4608	6.4577
PKR	169.75	170.32
PHP	34.18	34.29
PGK	2.2861	2.2916
SEK	6.3113	6.3014
SGD	0.8187	0.8209
CNY	4.3714	4.3893
THB	21.81	21.98
TOP	1.4181	1.4358
VUV	73.84	73.80
WST	1.6554	1.6611
XPF	67.09	67.50
ZAR	11.6794	11.7539

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.01	0.33
3 Months	-0.29	0.20
6 Months	-2.86	-1.66
9 Months	-6.78	-4.78
1 Year	-11.11	-8.11

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.29	-8.51
3 Months	-26.38	-25.17
6 Months	-52.03	-48.75
9 Months	-75.42	-70.03
1 Year	-94.29	-86.65



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