

Research Markets Today

4 March 2024

Events Round-Up

NZ: ANZ consumer confidence, Feb: 94.5 vs. 93.6 prev.
 NZ: Dwelling consents (m/m%), Jan: -8.8 vs. 3.7 prev.
 CH: Manufacturing PMI, Feb: 49.1 vs. 49.0 exp.
 CH: Non-manufacturing PMI, Feb: 51.4 vs. 50.9 exp.
 CH: Caixin PMI manufacturing, Feb: 50.9 vs. 50.7 exp.
 EC: CPI (y/y%), Feb: 2.6 vs. 2.5 exp.
 EC: CPI core (y/y%), Feb: 3.1 vs. 2.9 exp.
 EC: Unemployment rate (%), Jan: 6.4 vs. 6.4 exp.
 US: UoM consumer sentiment, Feb: 76.9 vs. 79.6 exp.
 US: UoM 5-10yr inflation exp, Feb: 2.9 vs. 2.9 exp.
 US: ISM manufacturing, Feb: 47.8 vs. 49.5 exp.

Good Morning

Positive risk sentiment propelled global equity indices to fresh record closes at the end of last week. The S&P traded above 5,100 and the Eurostoxx 50, looked past stronger than expected inflation data, to eke out a new all-time high. Treasury yields and the US dollar fell following weak manufacturing data and WTI crude prices rose above US\$80 per barrel.

The US ISM manufacturing index fell to 47.8 from 49.1 in January which was below economists' expectations for an increase to 49.5. New orders, production and employment all contracted suggesting the manufacturing sector is struggling to gain momentum. The final reading of the University of Michigan's consumer sentiment index registered an unexpected fall. The index dipped to 76.9 from 79.6 in January. Long-run inflation expectations remained stable at 2.9% for the third straight month.

Eurozone preliminary CPI increased 2.6% y/y, which was marginally above the 2.5% consensus estimate, but down from 2.8% in January. Core inflation fell to 3.1%, a seventh successive monthly fall. The upside surprise supports policy-makers caution on near-term easing. The ECB is unanimously expected to leave rates unchanged this week. A 25bps rate cut is almost fully priced by June and market pricing implies close to 100bps of easing through 2024.

China's official manufacturing PMI was little changed from January levels at 49.1 and suggests manufacturing contracted for the fifth consecutive month. The non-manufacturing PMI increased to 51.4, beating

expectations, and was supported by a pickup in activity during the Lunar New Year holiday. The National People's Congress begins on Tuesday, where Chinese leaders will announce policy priorities, alongside targets for economic growth and fiscal stimulus.

US treasury yields drifted higher initially before reversing course after the weak ISM manufacturing print. 2-year yields dropped more than 10bps from the session highs and ended 9bps lower on the day at 4.53%. The ~4.50% level is where yields broke higher in early Feb and forms near term support in yield terms. 10-year treasuries ended 7bps lower at 4.18% with the ultras lagging the move. The latest CFTC futures positioning data revealed further large buying of futures across the curve by speculative accounts.

Fed governor Waller said he would like the Federal Reserve to boost its share of short-term Treasuries. He noted that prior to the financial crisis, the Fed's treasury holdings included more than 30% in T-Bills, but this has fallen to less than 5%. He also reiterated the Fed's balance sheet is a separate policy issue from adjustments in the fed funds rate echoing previous comments from Fed Chair Powell.

The US dollar followed treasury yields lower after the data. However, the move was relatively modest – a 0.2% fall in the dollar index (DXY) – and was contained by recent ranges. Scandinavian currencies outperformed within the G10. The AUD and NZD largely matched the move in the DXY without independent catalysts. NZD/USD bounced off the 0.6080 level, which corresponds with the post-RBNZ lows, and closed back above 0.6100.

NZGB yields were little changed on in the local session on Friday. 10-year yields increased 1bp to 4.76% while shorter maturity bonds ended unchanged. There were larger moves at the front end of the swap curve with 2-year yields up 5bps. Australian 3-year bond futures are 3bps lower in yield since the local close on Friday while 10-year futures are 1bp lower suggesting a modest downward bias to NZ yields on the open.

It is a quiet start to the week from a data perspective with no domestic or international first-tier releases. In the week ahead there is the US labour market data, services ISM and the ECB policy decision. In addition, Fed chair Powell is testifying before the House Financial Services Committee.

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Coming Up

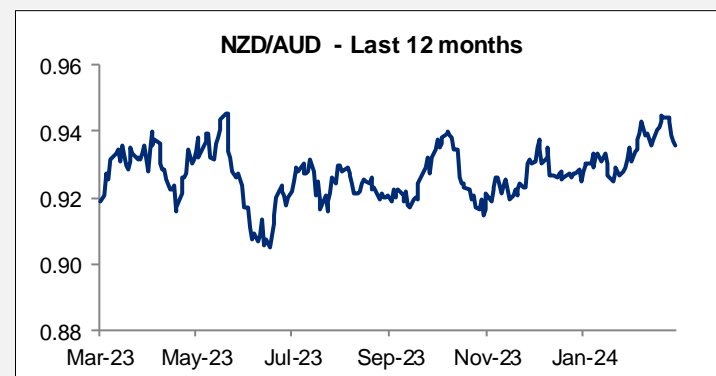
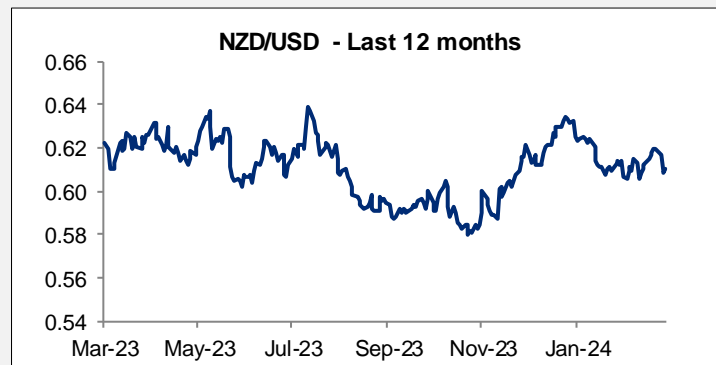
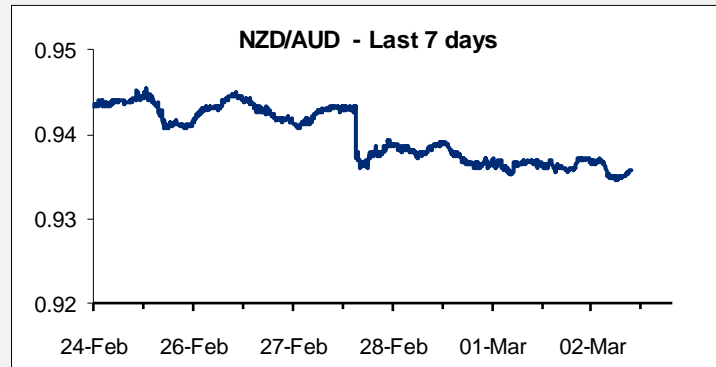
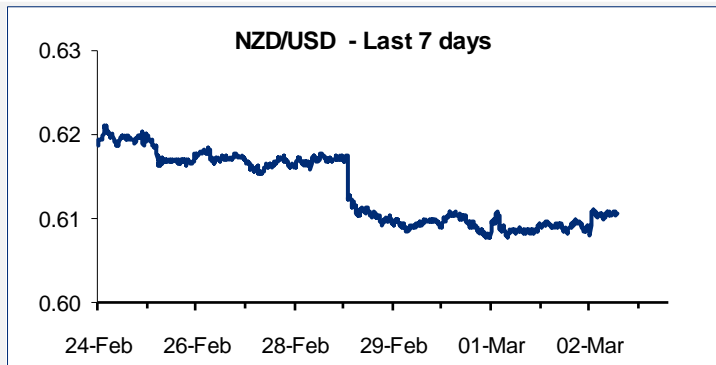
		Period	Cons.	Prev.	NZT
NZ	Terms of Trade Index (q/q%)	4Q		-0.6	10:45
AU	Building Approvals (m/m%)	Jan	5.6	-9.5	13:30

Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
Indicative overnight ranges (*)					Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day			Last	% Day	Net Day			
NZD	0.6107	+0.3	0.6079	0.6112	CHF	0.8834	-0.1	S&P 500	5,137	+0.8	30.0	Oil (Brent)	83.40	+1.8	
AUD	0.6526	+0.5	0.6490	0.6534	SEK	10.320	-0.5	Dow	39,087	+0.2	19.7	Oil (WTI)	79.97	+2.0	
EUR	1.0839	+0.3	1.0798	1.0843	NOK	10.524	-0.9	Nasdaq	16,275	+1.1	43.0	Gold	2095.7	+1.8	
GBP	1.2654	+0.2	1.2600	1.2664	HKD	7.828	-0.0	Stoxx 50	4,895	+0.4	16.1	HRC steel	790.0	-1.4	
JPY	150.12	+0.1	150.05	150.72	CNY	7.197	+0.1	FTSE	7,683	+0.7	-2.9	CRB	277.1	+0.7	
CAD	1.3560	-0.1			SGD	1.344	-0.1	DAX	17,735	+0.3	15.9	Wheat Chic.	557.8	-3.0	
NZD/AUD	0.9358	-0.1			IDR	15,704	-0.1	CAC 40	7,934	+0.1	9.7	Sugar	21.09	-2.8	
NZD/EUR	0.5634	+0.0			THB	35.85	-0.1	Nikkei	39,911	+1.9	42.9	Cotton	97.56	-3.9	
NZD/GBP	0.4826	+0.1			KRW	1,335	+0.3	Shanghai	3,027	+0.4	-9.1	Coffee	183.3	-0.6	
NZD/JPY	91.67	+0.4			TWD	31.61	+0.0	ASX 200	7,746	+0.6	6.3	WM powder	3240	-0.5	
NZD/CAD	0.8280	+0.2			PHP	56.02	-0.3	NZX 50	11,744	+0.0	-1.0	Australian Futures			
NZ TWI	71.58	+0.2						VIX Index	13.11	-2.2	-36.3	3 year bond	96.29	-0.01	
Interest Rates											10 year bond			95.88	0.02
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields					
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg			
USD	5.50	5.60	4.45	3.81	USD	4.18	-0.07	15-May-26	4.77	-0.01	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.34	4.01	4.37	AUD	4.14	0.01	15-Apr-27	4.62	-0.01	BKBM 3-mth	5.65	0.01		
NZD	5.50	5.65	5.03	4.56	NZD	4.76	0.01	15-May-28	4.55	-0.01	1 year	5.50	0.00		
EUR	4.00	3.94	3.22	2.72	GER	2.41	0.00	20-Apr-29	4.55	-0.00	2 year	5.03	0.05		
GBP	5.25	5.33	4.57	3.81	GBP	4.11	-0.01	15-May-30	4.58	0.00	3 year	4.73	0.05		
JPY	-0.02	-0.03	0.25	0.87	JPY	0.72	0.01	15-May-31	4.62	0.00	5 year	4.50	0.04		
CAD	5.00	5.32	4.48	3.76	CAD	3.43	-0.06	15-May-32	4.67	0.01	7 year	4.49	0.03		
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer							NZ Inflation-Indexed Bonds			14-Apr-33	4.71	0.01	10 year	4.56	0.02
Rates at NY close							Sep-30	2.40	0.00	15-May-34	4.76	0.01	15 year	4.68	0.03
							Sep-35	2.71	0.00	15-May-37	4.88	0.01			
							Sep-40	2.89	0.00	15-May-41	4.96	0.00			
Source: Bloomberg										15-May-51	4.94	0.00			
										15-May-54	4.95	-0.00			

NZD exchange rates

2/03/2024	NY close	Prev. NY close
USD	0.6107	0.6087
GBP	0.4826	0.4821
AUD	0.9358	0.9369
EUR	0.5634	0.5634
JPY	91.67	91.29
CAD	0.8280	0.8266
CHF	0.5395	0.5384
DKK	4.1998	4.1991
FJD	1.3733	1.3803
HKD	4.7806	4.7655
INR	50.63	50.47
NOK	6.4269	6.4656
PKR	170.44	170.01
PHP	34.22	34.21
PGK	2.2967	2.2883
SEK	6.3025	6.3144
SGD	0.8207	0.8191
CNY	4.3951	4.3757
THB	21.95	21.83
TOP	1.4216	1.4212
VUV	74.18	73.91
WST	1.6589	1.6572
XPF	67.25	67.14
ZAR	11.6714	11.6895



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.16	0.35
3 Months	-0.82	0.46
6 Months	-5.58	-1.07
9 Months	-11.31	-4.70
1 Year	-16.83	-10.26

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.47	-8.31
3 Months	-27.16	-24.74
6 Months	-55.13	-46.69
9 Months	-79.09	-66.63
1 Year	-98.71	-84.17

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