

Research Markets Today

6 March 2024

Events Round-Up

JN: Tokyo CPI (y/y%), Feb: 2.6 vs. 2.5 exp.

JN: Tokyo CPI ex-fr. fd, energy (y/y%), Feb: 3.1 vs. 3.1 exp.

AU: Current account (\$b), Q4: 11.8 vs. 5.0 exp.

CH: Caixin PMI services, Feb: 52.5 vs. 52.7 prev.

US: Factory orders ex trans., Feb: -0.8 vs. -0.1 exp.

US: ISM services index, Feb: 52.6 vs. 53.0 exp.

Good Morning

A risk-off vibe overhangs the market, with weaker IT stocks a drag on US equity market performance. That has helped support the bond market, with a weaker US ISM services report chiming in, seeing US Treasury yields down 4-6bps for the day. Currency moves have been modest. China's optimistic 5% growth target did nothing to support commodity currencies, and the NZD is languishing just under the 0.61 mark.

After a strong run, US equities are under pressure, led by a 2% fall in IT stocks, and weaker consumer discretionary stocks, driving the S&P500 down nearly 1%. Adding to the negative vibe, Apple's iPhone sales in China slumped 24% in the first six weeks of the year according to independent research, with China's mobile market shrinking 7%, and Tesla's shipments from its Shanghai factor were the lowest in more than a year, falling 19% y/y in February.

Furthermore, after last week's negative run of US economic releases the theme has continued into this week, with a weaker ISM survey and weaker factory orders. Evidence is pointing to some cracks opening in the hitherto resilient US economy.

The US ISM services index fell 0.8pts to 52.6 in February, a slightly larger fall than expected, with mixed components – weaker employment but stronger new orders and business activity. However, what got the market's attention was the easing in the inflation gauges, with the prices paid index falling 5.4pts to 58.6, suggesting that the January spike was an outlier, supported by falls in costs and supplier delivery times. Earlier in the session, second-tier data showed a slump in factory orders in January for both the headline and ex transport measures, down 3.6% m/m and 0.8% m/m respectively, alongside downward revisions to December.

The weaker equity backdrop and softer data have supported US Treasuries. The 2-year rate is down 4bps on the day to 4.56%, while the 10-year rate is down 6bps to 4.15%, after an overnight low of 4.11%. Global rates are also lower, with Germany's 10-year rate down 7bps and the UK 10-year rate down 11bps.

Bitcoin hit a fresh record high just over \$69k, surpassing the 2021 peak, before slumping over 5% to \$65k, a bad technical sign but it also coincided with the softer US ISM print. Spot Gold hit a record high of USD2141.79 before slipping to USD2129.

Net currency movements have been modest, with the USD recovering some ground lost after the ISM print. The NZD is trading at 0.6090, similar to this time yesterday, finding some overnight support just above 0.6070 and after a spike to 0.6110 post the ISM print.

Commodity currencies didn't get any support from China's anticipated annual growth announcement, with scepticism that the target can be met. China set a 2024 growth target of around 5%, higher than current consensus forecast of about 4.6%. Most would see that growth target hard to meet in the absence of further economic stimulus, against a backdrop of the significant downturn in the property market. One analyst described the 5% growth goal as a "target without a plan" and the market was little moved on the announcement.

AUD continues to languish around the 0.65 mark and NZD/AUD is little changed around 0.9355. JPY has been the best performing major against a backdrop of lower global rates, but USD/JPY is down only 0.2% to 150.15.

The overnight GDT dairy auction showed a 2.3% fall in the price index, in line with our view of a moderate pullback in pricing after recent strong gains. Wholemilk powder prices fell 2.8% while skim milk powder fell 5.2%.

There's not much to say about the domestic rates market, with NZGB yields up 1-2bps across most of the curve and swaps showing small net changes. The Australian 10-year bond future is down about 6bps in yield terms since the NZ close, so there might be more price action today.

In the day ahead NZ building work data will add to the picture of how weak NZ GDP growth was in Q4. Australian Q4 GDP growth is expected to be a soggy 0.2% q/q. US labour market indicators are released, and it would be

wise to ignore the ADP employment figures, while the JOLTs job openings indicator is expected to show further slippage. US Fed Chair appears before Congress where the focus will be on the Q&A, but no new messages are expected. Finally, the Bank of Canada is widely expected to deliver an on-hold position, with the market on the hunt for any hints of the timing of the first rate cut.

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Coming Up

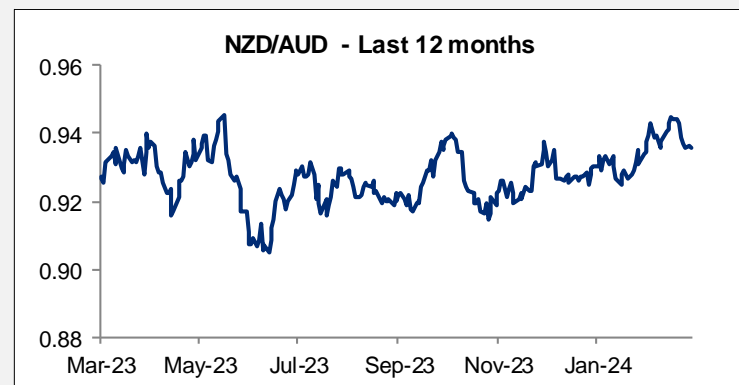
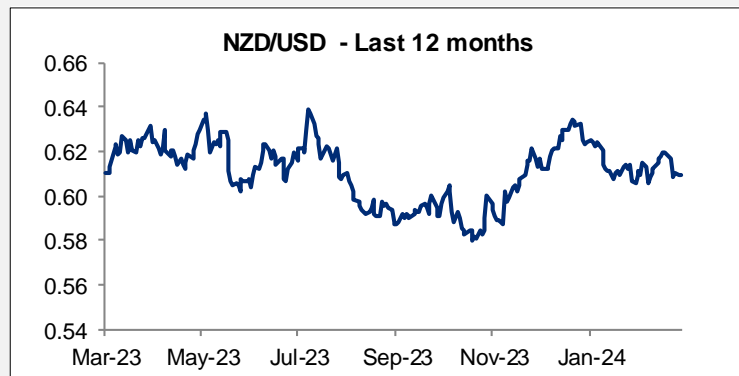
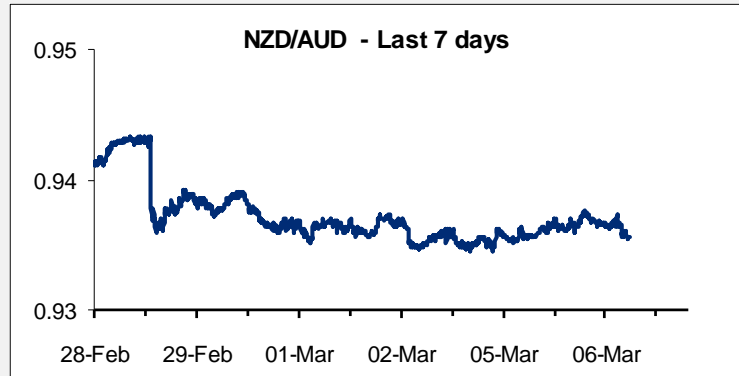
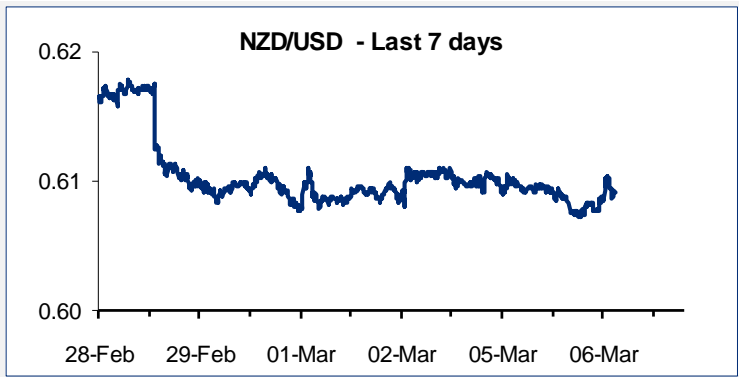
		Period	Cons.	Prev.	NZT
NZ	Volume building work (q/q%)	Q4	-1.8	-2.4	10:45
AU	GDP (q/q%)	Q4	0.2	0.2	13:30
US	ADP employment change (k)	Feb	150	107	02:15
CA	Bank of Canada policy rate (%)	Feb	5.0	5.0	03:45
US	Fed Chair Powell testifies before Congress				04:00
US	JOLTs job openings (k)	Jan	8850	9026	04:00

Source: Bloomberg, BNZ

Currencies					Equities				Commodities							
Indicative overnight ranges (*)					Other FX		Major Indices			Price (Near futures, except CRB)						
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day					
NZD	0.6091	-0.0	0.6071	0.6110	CHF	0.8838	-0.1	5,088	-0.8	25.8	Oil (Brent)	82.46	-0.4			
AUD	0.6510	+0.0	0.6478	0.6521	SEK	10.378	+0.0	38,714	-0.7	15.9	Oil (WTI)	78.60	-0.2			
EUR	1.0860	+0.0	1.0841	1.0876	NOK	10.561	-0.1	15,969	-1.5	36.6	Gold	2137.0	+0.5			
GBP	1.2711	+0.2	1.2671	1.2735	HKD	7.824	-0.0	4,893	-0.4	13.9	HRC steel	785.0	-0.6			
JPY	150.12	-0.3	149.71	150.55	CNY	7.197	-0.0	7,646	+0.1	-3.8	CRB	277.3	+0.1			
CAD	1.3576	+0.0			SGD	1.343	-0.1	17,698	-0.1	13.6	Wheat Chic.	549.8	-2.5			
NZD/AUD	0.9356	-0.1			IDR	15,771	+0.2	CAC 40	7,933	-0.3	8.0	Sugar	20.93	+1.6		
NZD/EUR	0.5609	-0.1			THB	35.80	+0.1	Nikkei	40,098	-0.0	42.0	Cotton	98.44	+0.9		
NZD/GBP	0.4792	-0.2			KRW	1,334	+0.2	Shanghai	3,048	+0.3	-8.3	Coffee	184.2	-1.6		
NZD/JPY	91.44	-0.3			TWD	31.58	+0.2	ASX 200	7,724	-0.1	5.4	WM powder	3145	-1.7		
NZD/CAD	0.8269	-0.0			PHP	55.98	-0.0	NZX 50	11,753	+0.2	-1.3	Australian Futures				
NZ TWI	71.44	-0.1						VIX Index	14.25	+5.6	-22.9	3 year bond	96.32	0.00		
Interest Rates					NZ Government Bonds				NZ BKBM and Swap Yields							
Rates		Swap Yields			Benchmark 10 Yr Bonds		Last		Chg							
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day				Last	Chg					
USD	5.50	5.59	4.47	3.77	USD	4.15	-0.06	15-May-26	4.78	0.03	BKBM 1-mth	5.59	0.00			
AUD	4.35	4.35	3.98	4.31	AUD	4.09	-0.01	15-Apr-27	4.62	0.02	BKBM 3-mth	5.66	0.01			
NZD	5.50	5.66	5.05	4.52	NZD	4.75	0.01	15-May-28	4.54	0.01	1 year	5.52	0.00			
EUR	4.00	3.93	3.18	2.62	GER	2.32	-0.07	20-Apr-29	4.54	0.01	2 year	5.05	0.01			
GBP	5.25	5.33	4.56	3.74	GBP	4.01	-0.11	15-May-30	4.57	0.01	3 year	4.74	0.01			
JPY	-0.01	-0.03	0.25	0.84	JPY	0.71	-0.01	15-May-31	4.61	0.01	5 year	4.49	0.00			
CAD	5.00	5.32	4.46	3.71	CAD	3.37	-0.08	15-May-32	4.66	0.01	7 year	4.47	-0.01			
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer Rates are as of: NZT 06:54					NZ Inflation-Indexed Bonds											
					Sep-30	2.41	0.02	15-May-34	4.75	0.01	10 year	4.52	-0.01	15 year	4.64	-0.01
					Sep-35	2.72	0.02	15-May-37	4.87	0.01						
					Sep-40	2.90	0.02	15-May-41	4.95	0.01						
Source: Bloomberg							15-May-51		4.92	0.01						
							15-May-54		4.94	0.02						

NZD exchange rates

6/03/2024	6:54 am	Prev. NY close
USD	0.6091	0.6094
GBP	0.4792	0.4801
AUD	0.9356	0.9361
EUR	0.5609	0.5613
JPY	91.44	91.73
CAD	0.8269	0.8272
CHF	0.5383	0.5393
DKK	4.1809	4.1841
FJD	1.3756	1.3803
HKD	4.7654	4.7684
INR	50.49	50.51
NOK	6.4329	6.4402
PKR	170.10	170.18
PHP	34.09	34.12
PGK	2.2907	2.3110
SEK	6.3214	6.3228
SGD	0.8178	0.8187
CNY	4.3834	4.3870
THB	21.81	21.83
TOP	1.4175	1.4342
VUV	73.95	73.96
WST	1.6582	1.6582
XPF	67.02	67.06
ZAR	11.5499	11.6039



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.12	0.28
3 Months	-0.52	-0.04
6 Months	-3.87	-2.70
9 Months	-8.95	-6.97
1 Year	-15.39	-12.40

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.74	-8.86
3 Months	-26.94	-25.77
6 Months	-54.08	-50.86
9 Months	-77.78	-72.64
1 Year	-99.20	-91.74

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