

# Research Markets Today

7 February 2024

## Events Round-Up

US: ISM services index. Jan: 53.4 vs. 52.0 exp.

JN: Labor cash earnings (y/y%), Dec: 1.0 vs. 1.4 exp.

AU: Real retail sales (q/q%), Q4: 0.3 vs. 0.1 exp.

AU: RBA cash rate target (%), Feb: 4.35 vs. 4.35 exp.

GE: Factory orders (m/m%), Dec: 8.9 vs. -0.2 exp.

## Good Morning

Overnight, there has been little news but the US 10-year year Treasury yield has fallen modestly after the hefty two-day sell-off that followed the blockbuster payrolls report on Friday. US equities are flat. The NZD and AUD have found some support, helped by a slightly stronger yuan on speculation of more policy support for the beleaguered Chinese sharemarket. The NZD is trading around 0.6075, off yesterday's fresh year-to-date low.

The new week kicked off with US Treasuries extending the losses seen late last week after the blockbuster US employment report, which showed surprisingly strong gains in jobs and higher wage inflation. Yields continued to push higher, firstly after Fed Chair Powell's "60 Minutes" interview, where he reiterated his cautious approach to considering rate cuts, noting the danger of moving too soon, and that it isn't likely the Fed will be confident enough about the sustainability of the lower path for inflation by the March meeting.

Secondly, the ISM services index released Monday night NZ time rose by 2.9pts to 53.4, with higher new orders, a big jump in employment and, more worryingly, a 7.3pt lift in the prices paid index to 64.0, with Suez and Panama Canal disruptions cited as major factors. The data, on cue, seemed to support the Fed's cautious approach to kick-starting an easing cycle.

The US 10-year rate has traded at high as 4.17%, early Tuesday morning NZ time and again overnight, suggesting some initial support for Treasuries at that level and has since fallen back to 4.09%, still well up from the pre-payrolls level of 3.88%. The 2-year rate has followed the same path. After we go to press FOMC members Kashkari and Collins will be on the wires along with a further barrage of speakers in coming days. A short while ago, Cleveland Fed President Mester echoed Chair Powell's message in saying "I think we will gain confidence later this

year, and then we can begin moving rates down" after saying that it would be a mistake to move rates down too soon or too quickly without sufficient evidence that inflation was on a sustainable path.

Yesterday, the RBA kept policy unchanged and further softened the mild tightening bias with "The Board expects that it will be some time yet before inflation is sustainably in the target range...a further increase in interest rates cannot be ruled out." The muted market reaction reflected the Statement and forecast tweaks being broadly in line with market expectations.

There was more interest in what was going on in China, with Bloomberg reporting regulators planned to update the top leadership, including President Xi, on market conditions and the latest policy initiatives. This followed a series of announcements, with an investment arm of China's sovereign wealth fund saying it would expand its purchases of ETFs and a number of initiatives from the China Securities Regulatory Commission. Market focus on the President Xi meeting and the announcements drove a strong rally in Chinese equities, with Hong Kong's Hang Seng index closing 4% higher with China's CSI300 index up 3.5%. The yuan found some support, and there was some small positive spillover into the AUD and NZD.

The NZD is currently trading around 0.6075, following a fresh year-to-date low just below 0.6050 a little over 24 hours ago. The AUD is trading at 0.6520 after a brief foray below 0.6480. NZD/AUD continues to trade just over 0.93. EUR is steady around 1.0750 with little market reaction to the only notable economic news overnight that German factory orders surged 8.9% m/m in December against expectations of a 0.2% decline due to a sharp lift in "major orders". Currency moves overall have been modest since the beginning of the week.

In the overnight GDT dairy auction, the price index rose 4.2%, continuing the positive trend since mid-August, over which time prices have rebounded by 30%. In the latest overnight auction, most product prices increased, including gains for whole milk powder of 3.4%, skim milk powder up 4.6% and butter up 10.3%.

On Monday, NZ rates were higher, driven by global forces, including the catch-up to Friday night's large move in the US and the further lift in Treasury yields during local trading hours. NZGBs ended the day up 11bps across the curve. Swaps showed a mild flattening bias, with the 2-

year rate up 14bps to 4.88% and the 10-year rate up 10bps to 4.45%. Since the local close ahead of the Waitangi Day holiday, the Australian 10-year bond future has showed little net change and the US 10-year rate is up a couple of basis points.

In the day ahead the domestic focus will be on labour market. We're in line with the market consensus, expecting the unemployment rate to show a 0.4 percentage points jump in Q4 to 4.3%, the highest level in nearly three years. There is much more upside to come, which will help support a lower trajectory for wages and CPI inflation. Only second-tier global data are released tonight, while Fed speakers will remain out in force.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	QES avg hrly earnings (q/q%)	Q4		2.0	10:45
NZ	Unemployment rate (%)	Q4	4.3	3.9	10:45
NZ	Employment (q/q%)	Q4	0.3	-0.2	10:45
NZ	LCI pvt wages x overtime (q/q%)	Q4	0.8	0.8	10:45
GE	Industrial production (m/m%)	Dec	-0.5	-0.7	20:00
US	Trade balance (\$b)	Dec	-62.2	-63.2	02:30

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	% Year		Last	Net Day
NZD	0.6079	+0.4	0.6047	0.6080	CHF	0.8702	-0.1	S&P 500	4,941	-0.0	20.2	Oil (Brent)	78.34	+0.4
AUD	0.6523	+0.6	0.6487	0.6524	SEK	10.517	-0.8	Dow	38,476	+0.2	13.5	Oil (WTI)	73.12	+0.4
EUR	1.0753	+0.1	1.0723	1.0762	NOK	10.594	-0.9	Nasdaq	15,534	-0.4	30.7	Gold	2035.0	+0.5
GBP	1.2598	+0.5	1.2537	1.2599	HKD	7.823	+0.0	Stoxx 50	4,691	+0.8	11.5	HRC steel	969.0	-0.1
JPY	147.87	-0.5	147.85	148.79	CNY	7.190	-0.1	FTSE	7,681	+0.9	-2.0	CRB	268.2	+0.2
CAD	1.3485	-0.4			SGD	1.344	-0.2	DAX	17,033	+0.8	11.0	Wheat Chic.	604.0	+0.8
NZD/AUD	0.9319	-0.2			IDR	15,730	+0.1	CAC 40	7,639	+0.6	7.0	Sugar	23.52	-0.1
NZD/EUR	0.5653	+0.3			THB	35.55	-0.7	Nikkei	36,161	-0.5	30.6	Cotton	87.50	+0.5
NZD/GBP	0.4825	-0.1			KRW	1,327	-0.3	Shanghai	2,789	+3.2	-14.1	Coffee	185.2	-0.8
NZD/JPY	89.89	-0.1			TWD	31.33	-0.1	ASX 200	7,582	-0.6	1.0	WM powder	3295	+0.0
NZD/CAD	0.8198	+0.0			PHP	56.20	-0.2	NZX 50	11,929	-0.0	-2.2	Australian Futures		
NZ TWI	71.24	+0.1						VIX Index	13.62	-0.4	-29.9	3 year bond	96.33	-0.02
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	5.58	4.27	3.72	USD	4.09	-0.06	15-May-26	4.69	0.12	BKBM 1-mth	5.59	0.00	
AUD	4.35	4.35	3.96	4.36	AUD	4.13	0.03	15-Apr-27	4.54	0.12	BKBM 3-mth	5.67	0.00	
NZD	5.50	5.67	4.88	4.45	NZD	4.67	0.11	15-May-28	4.46	0.12	1 year	5.39	0.08	
EUR	4.00	3.92	3.03	2.67	GER	2.29	-0.02	20-Apr-29	4.45	0.12	2 year	4.88	0.14	
GBP	5.25	5.33	4.42	3.74	GBP	3.95	-0.06	15-May-30	4.50	0.12	3 year	4.57	0.13	
JPY	-0.01	-0.03	0.24	0.91	JPY	0.72	-0.00	15-May-31	4.55	0.11	5 year	4.37	0.12	
CAD	5.00	5.38	4.49	3.79	CAD	3.45	-0.06	15-May-32	4.60	0.12	7 year	4.37	0.11	
						NZ Inflation-Indexed Bonds								
* These are indicative ranges from 5pm NZT;						Sep-30	2.39	0.10	14-Apr-33	4.63	0.11	10 year	4.45	0.10
please confirm rates with your BNZ dealer						Sep-35	2.70	0.10	15-May-34	4.67	0.11	15 year	4.60	0.10
Rates are as of: NZT 06:53						Sep-40	2.94	0.10	15-May-37	4.83	0.11			
Source: Bloomberg									15-May-41	4.93	0.11			
									15-May-51	4.93	0.11			

**NZD exchange rates**

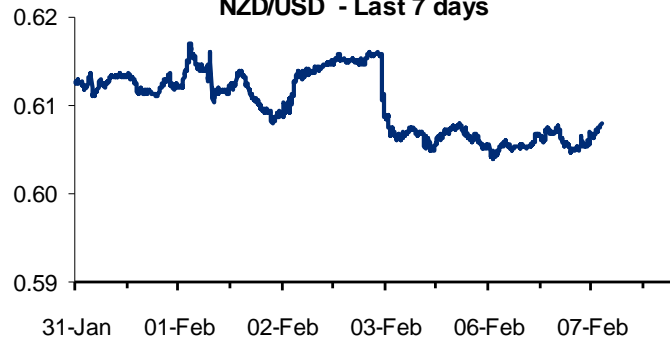
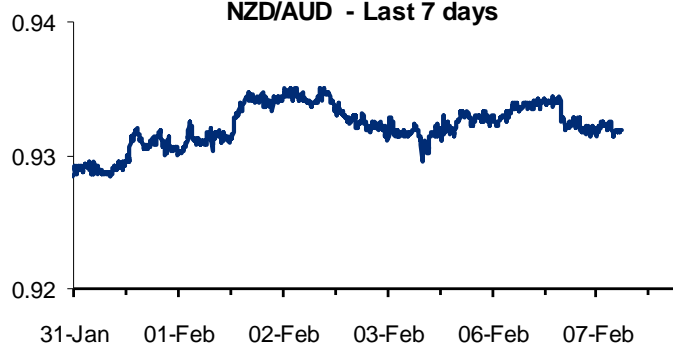
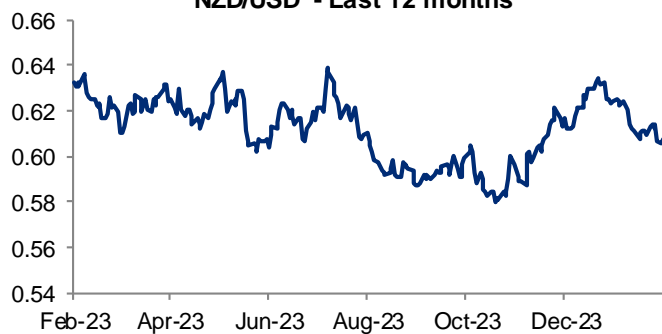
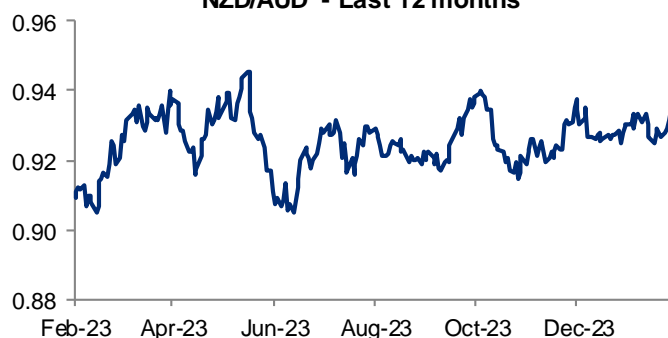
<b>7/02/2024</b>	<b>6:53 am</b>	<b>Prev. NY close</b>
USD	0.6079	0.6055
GBP	0.4825	0.4830
AUD	0.9319	0.9340
EUR	0.5653	0.5636
JPY	89.89	90.03
CAD	0.8198	0.8198
CHF	0.5290	0.5272
DKK	4.2175	4.2039
FJD	1.3691	1.3764
HKD	4.7558	4.7360
INR	50.49	50.30
NOK	6.4402	6.4703
PKR	169.85	169.22
PHP	34.17	34.08
PGK	2.2768	2.2678
SEK	6.3935	6.4192
SGD	0.8172	0.8157
CNY	4.3709	4.3587
THB	21.68	21.68
TOP	1.4207	1.4200
VUV	73.82	73.47
WST	1.6611	1.6547
XPF	67.16	66.93
ZAR	11.4500	11.5449

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	-0.10	0.30
3 Months	-0.62	0.00
6 Months	-4.74	-2.98
9 Months	-10.02	-7.58
1 Year	-15.92	-12.90

**NZD/AUD Forward points**

	<b>BNZ buys NZD</b>	<b>BNZ Sells NZD</b>
1 Month	-8.59	-7.68
3 Months	-26.38	-25.01
6 Months	-52.08	-47.98
9 Months	-71.73	-65.88
1 Year	-87.86	-80.08

**NZD/USD - Last 7 days****NZD/AUD - Last 7 days****NZD/USD - Last 12 months****NZD/AUD - Last 12 months**

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