

# Research Markets Today

7 March 2024

## Events Round-Up

NZ: Volume building work (q/q%), Q4: -0.1 vs. -1.8 exp.

AU: GDP (q/q%), Q4: 0.2 vs. 0.2 exp.

US: ADP employment change (k), Feb: 140 vs. 150 exp.

CA: Bank of Canada policy rate (%), Feb: 5.0 vs. 5.0 exp.

US: JOLTS job openings (k), Jan: 8863 vs. 8850 exp.

## Good Morning

US Treasury yields are lower, the USD is weaker and US equities have recovered some of yesterday's losses. Chair Powell reiterated the Fed's view of easier policy later this year in front of lawmakers, while US labour market data were line. The NZD has recovered to 0.6135 and, alongside the AUD has slightly outperformed, seeing most crosses modestly higher.

Overnight, Fed Chair Powell faced lawmakers where he reiterated the outlook on monetary policy heard at the last FOMC meeting and supported by seemingly united committee members over recent weeks viz, "We believe that our policy rate is likely at its peak for this tightening cycle. If the economy evolves broadly as expected, it will likely be appropriate to begin dialling back policy restraint at some point this year." The Fed remains data dependent and awaits "just some more good relatively low inflation readings...more of the same".

US labour market data were broadly in line with market expectations, with a 140k lift in private payrolls in the ADP employment – recently a poor guide to the more important non-farm payrolls report due at the end of the week – and the JOLTS reports showing job openings nudging down to 8.86m. Job openings were revised down for most of 2023 and the ratio of job openings to unemployed was relatively steady at 1.4. The number of people voluntarily quitting their job was the fewest in three years, suggesting workers felt less confident in their ability to find new jobs and positions that pay better.

Without any hawkish surprises by Powell and labour market data in line, US Treasury yields have pushed lower, with rates down 2-6bps, with a flatter curve. The 10-year rate has fallen to as low as 4.08% and currently sits at 4.10%. Fed Funds futures have nudged down in yield terms, with a rate cut by June almost fully priced.

US yields have fallen by slightly more than other markets, seeing the USD broadly weaker, with the DXY index down 0.5% on the day and at its lowest level in over a month.

The Bank of Canada kept its policy rate on hold at 5.0% for a fifth consecutive meeting and Governor Macklem said, "it's still too early to consider lowering the policy interest rate". Remaining in the statement was the line "the council is still concerned about risks to the outlook for inflation, particularly the persistence in underlying inflation". Market reaction was well contained, with the first full rate cut still not priced until July.

There wasn't much in the UK Budget to grab the attention of markets. The Treasury announced plans to increase borrowing by £5b more than expected to £265b worth of gilts in the year to March 2025, up from £237b in the current financial year.

The broadly weaker USD saw EUR regain the 1.09 handle for the first time since late January and GBP is stronger at 1.2750. USD/JPY has fallen to 149.30. The NZD and AUD have slightly outperformed, rising to 0.6135 and 0.6575 respectively. NZD/AUD is slightly weaker at 0.9330 but the NZD is modestly strongly on the other key cross rates.

In US politics, Trump made almost a clean sweep in the Republican primary contests held on "Super Tuesday", pushing Haley into abandoning her campaign for president. The November Presidential contest looks to be a battle between Trump and Biden, barring any surprise political moves behind the scenes.

Lower global rates pushed down NZ rates yesterday and with a bias for some curve flattening. NZGB yields fell 4-8bps across the curve, with the 10-year rate down 8bps to 4.67%. Swaps showed smaller moves, with the 2-year rate down 3bps to 5.02% and the 10-year rate down 5bps to 4.48%. The Australian 10-year bond future is down 3bps in yield terms since the NZ close, suggesting a bias to lower NZ rates on the open.

In the day ahead, in NZ we'll get more quarterly indicators to provide a better estimate of Q4 GDP, following yesterday's stronger than expected construction data, which suggested less of a drag on growth from that sector. Key global data include China trade and US jobless claims. The ECB is expected to keep policy unchanged, with the market on the lookout for clues on the timing of the first

easing. Fed Chair Powell faces another session in front of lawmakers.

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### Coming Up

		Period	Cons.	Prev.	NZT
NZ	Manufacturing sales vol. (q/q%)	Q4	-2.7	10:45	
AU	Trade balance (\$b)	Jan	11.5	11.0	13:30
AU	Home loans value (m/m%)	Jan	2.0	-4.1	13:30
CH	Exports (USD, YTD y/y%)	Feb	1.8	-6.8	
CH	Imports (USD, YTD y/y%)	Feb	1.3	-10.2	
GE	Factory orders (m/m%)	Jan	-6.0	8.9	20:00
EC	ECB deposit facility rate (%)	Feb	4.0	4.0	02:15
US	Trade balance (\$b)	Jan	-63.5	-62.2	02:30
US	Initial Jobless Claims	2-Mar	217	215	02:30
US	Fed Chair Powell testifies before Congress				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	0.6133	+0.8	0.6092	0.6144	CHF	0.8819	-0.2		S&P 500	5,124	+0.9	26.6	Oil (Brent)	83.51	+1.8
AUD	0.6573	+1.1	0.6512	0.6581	SEK	10.294	-0.8		Dow	38,760	+0.5	15.9	Oil (WTI)	80.02	+2.4
EUR	1.0903	+0.4	1.0855	1.0915	NOK	10.489	-0.8		Nasdaq	16,099	+1.0	37.9	Gold	2152.6	+0.5
GBP	1.2745	+0.3	1.2703	1.2761	HKD	7.824	+0.0		Stoxx 50	4,915	+0.5	13.9	HRC steel	802.0	+2.2
JPY	149.33	-0.5	149.10	149.94	CNY	7.198	+0.0		FTSE	7,679	+0.4	-3.2	CRB	275.8	-0.5
CAD	1.3505	-0.6			SGD	1.339	-0.3		DAX	17,717	+0.1	13.2	Wheat Chic.	532.5	-3.3
NZD/AUD	0.9331	-0.3			IDR	15,705	-0.4		CAC 40	7,955	+0.3	7.9	Sugar	21.31	+2.4
NZD/EUR	0.5625	+0.3			THB	35.62	-0.6		Nikkei	40,091	-0.0	41.6	Cotton	98.10	-0.3
NZD/GBP	0.4812	+0.4			KRW	1,335	+0.0		Shanghai	3,040	-0.3	-7.5	Coffee	186.2	+1.6
NZD/JPY	91.58	+0.2			TWD	31.58	+0.0		ASX 200	7,734	+0.1	5.0	WM powder	3160	+0.5
NZD/CAD	0.8283	+0.1			PHP	55.87	-0.2		NZX 50	11,796	+0.4	-1.0	<b>Australian Futures</b>		
NZ TWI	71.72	+0.4						VIX Index	14.31	-1.0	-23.1	3 year bond	96.38	0.06	
<b>Interest Rates</b>						<b>NZ Government Bonds</b>				<b>NZ BKBM and Swap Yields</b>					
Rates		Swap Yields		Benchmark 10 Yr Bonds		Last		Chg	Last		Chg				
	Cash	3Mth	2 Yr	10 Yr											
USD	5.50	5.59	4.44	3.72	USD	4.10	-0.05	15-May-26	4.75	-0.04	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.34	3.96	4.25	AUD	4.01	-0.08	15-Apr-27	4.57	-0.05	BKBM 3-mth	5.65	-0.00		
NZD	5.50	5.65	5.02	4.48	NZD	4.67	-0.08	15-May-28	4.49	-0.05	1 year	5.50	-0.01		
EUR	4.00	3.93	3.18	2.62	GER	2.32	-0.00	20-Apr-29	4.48	-0.05	2 year	5.02	-0.03		
GBP	5.25	5.33	4.55	3.72	GBP	3.99	-0.02	15-May-30	4.51	-0.06	3 year	4.71	-0.03		
JPY	-0.01	-0.03	0.25	0.84	JPY	0.72	0.01	15-May-31	4.55	-0.06	5 year	4.46	-0.03		
CAD	5.00	5.32	4.46	3.68	CAD	3.35	-0.01	15-May-32	4.60	-0.07	7 year	4.43	-0.04		
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer Rates are as of: NZT 07:00						<b>NZ Inflation-Indexed Bonds</b>				10 year			4.48	-0.05	
						Sep-30	2.38	-0.03	15-May-34	4.67	-0.08	15 year	4.59	-0.05	
						Sep-35	2.69	-0.03	15-May-37	4.79	-0.08				
						Sep-40	2.87	-0.03	15-May-41	4.87	-0.08				
								15-May-51	4.84	-0.08					
								15-May-54	4.86	-0.08					

Source: Bloomberg

**NZD exchange rates**

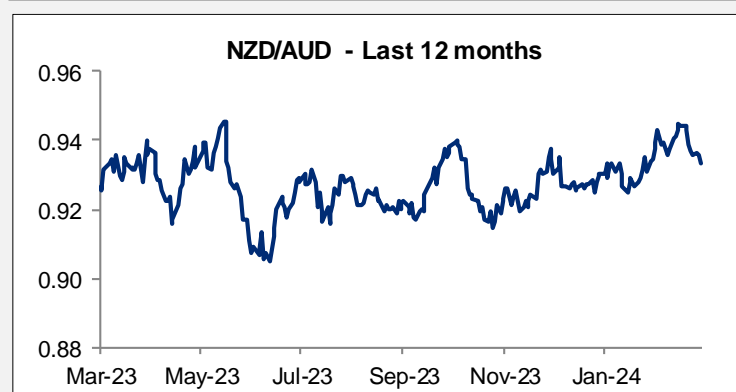
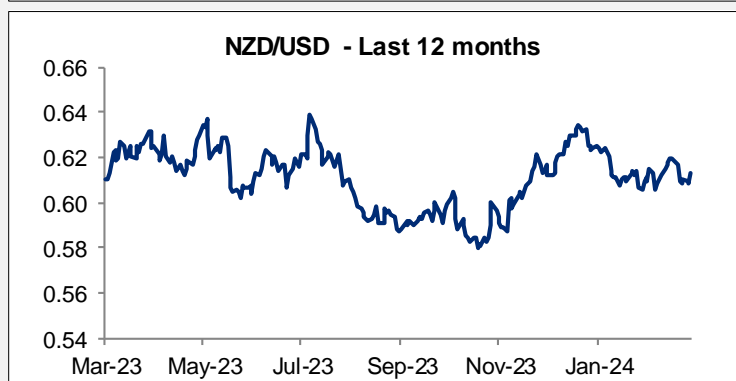
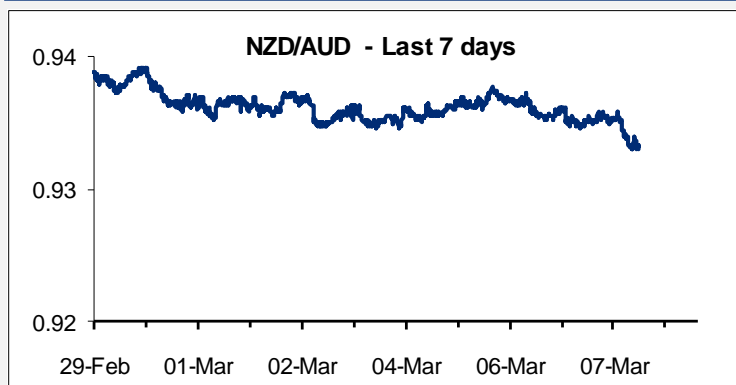
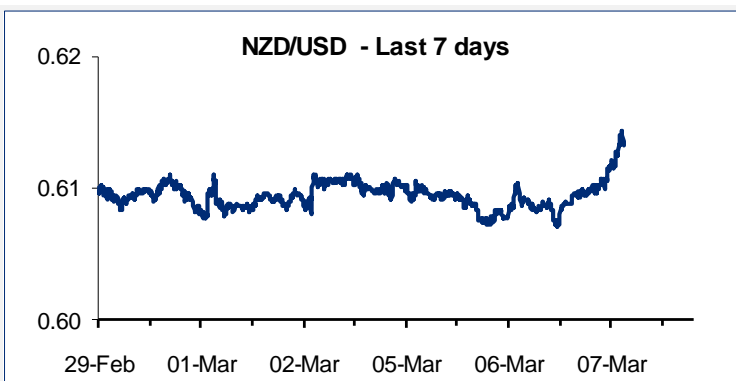
7/03/2024	7:00 am	Prev. NY close
USD	0.6133	0.6087
GBP	0.4812	0.4791
AUD	0.9331	0.9360
EUR	0.5625	0.5607
JPY	91.58	91.34
CAD	0.8283	0.8274
CHF	0.5409	0.5377
DKK	4.1929	4.1792
FJD	1.3829	1.3784
HKD	4.7987	4.7625
INR	50.80	50.46
NOK	6.4328	6.4332
PKR	171.29	169.99
PHP	34.27	34.07
PGK	2.3074	2.2815
SEK	6.3135	6.3170
SGD	0.8211	0.8174
CNY	4.4142	4.3805
THB	21.89	21.80
TOP	1.4273	1.4393
VUV	74.45	73.90
WST	1.6697	1.6557
XPF	67.34	66.99
ZAR	11.5461	11.5498

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.17	0.16
3 Months	-0.77	-0.32
6 Months	-4.16	-2.96
9 Months	-9.57	-7.57
1 Year	-16.12	-13.12

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.37	-8.62
3 Months	-27.74	-26.62
6 Months	-53.83	-50.58
9 Months	-77.83	-72.70
1 Year	-99.85	-92.11



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