

Research Markets Today

8 February 2024

Events Round-Up

NZ: Unemployment rate (%), Q4: 4.0 vs. 4.3 exp.
 NZ: Employment (q/q%), Q4: 0.4 vs. 0.3 exp.
 NZ: QES avg hrly earnings (q/q%), Q4: 0.5 vs. 2.0 prev.
 NZ: LCI pvt wages x overtime (q/q%), Q4: 1.0 vs. 0.8 exp.
 GE: Industrial production (m/m%), Dec: 1.6 vs. -0.5 exp.
 US: Trade balance (\$b), Dec: -62.6 vs. -62.2 exp.

Good Morning

US equities remained well underpinned in the absence of first tier economic data. The S&P reached another record intraday high and is closing in on the psychological 5,000 level. Markets continue to watch for any potential fallout from the US regional banking sector as shares in NYCB resumed losses. Meanwhile optimism towards China equities faded in the absence of additional details from policy makers about a support program for onshore markets. The Hang Seng China Enterprises Index (HSCEI) reversed an earlier 1.5% gain to close 1% lower.

German industrial production has fallen for the seventh consecutive month in December, which is the longest ever downturn, and exceeds the period surrounding the global financial crisis. Production fell 1.6% m/m which was below economists' estimates for a 0.5% decline. The German economy is facing a potential recession after GDP declined 0.3% in the final quarter of last year.

ECB governing council member, Isabel Schnabel, pushed back against the prospect of near-term rate cuts in an interview with the Financial Times. She cited sticky services inflation, a resilient labour market, a loosening in financial conditions and tensions in the Red Sea as reasons for being cautious about adjusting the policy stance too soon. The market is pricing about 16bps of easing by the April meeting and a total of 124bps by the end of 2024.

US Fed speakers maintained a consistent stance. Fed President Kashkari said officials need to see a few more months of inflation data before cutting rates. He also said he thinks two to three cuts will likely be appropriate in 2024. Meanwhile, Richmond Fed president Barkin said it makes sense to be patient on rate cuts. Fed speakers continue to outline a patient and cautious approach toward a potential easing in monetary policy.

US treasuries were little changed with 10-year yields stable near 4.10% ahead of the record size US\$42 billion 10-year auction this morning (NZT).

There was subdued activity in currency markets with the US dollar index oscillating in a narrow range. The pound was the best performing currency within the G10 after data revealed a strong rise in UK house prices. NZD/USD was little changed in offshore trade. NZD/AUD extended the gains from the local session and traded up towards 0.9375 which is the highest level for the year.

NZ yields ended the local session higher across the curve yesterday following Q4 labour market data which was stronger than consensus estimates and the RBNZ's projections. 2-year swap rates increased 12bps to 5.0% and the market is now pricing a ~20% chance that the RBNZ hikes rates by 25bps at the February MPS. 10-year swap rates increased 9bps extending the curve flattening from recent weeks.

The weekly NZGB tender takes place today. There are NZ\$500 million of nominal bonds being offered split across 15 May 2031 (\$275m), 14 Apr 2033 (\$150m) and 15 Apr 2037 (\$75m). In addition, NZ\$25 million of the Sep 2035 inflation indexed bonds (IIB) will be offered. IIBs have been offered in each of the weekly tenders this year, representing a notable pick up from 2023.

There is no domestic economic data on the calendar today. China January CPI and PPI data are expected to show continued deflationary pressures facing the economy. Economists forecast CPI to fall on an annual basis for the 4th consecutive month. Producer prices are also expected to decline and have been falling for more than a year. US initial jobless claims is the only data of note overnight.

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Coming Up

		Period	Cons.	Prev.	NZT
CH	PPI YoY	Jan	-2.6	-2.7	14:30
CH	CPI YoY	Jan	-0.5	-0.3	14:30
US	Initial Jobless Claims	3 Feb	220	224	02:30
US	Fed's Barkin Speaks at Economic Club of New York				

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	0.6105	+0.1	0.6099	0.6125	CHF	0.8735	+0.4	S&P 500	4,989	+0.7	19.8	Oil (Brent)	78.96	+0.4
AUD	0.6518	-0.1	0.6517	0.6537	SEK	10.484	-0.2	Dow	38,663	+0.4	13.2	Oil (WTI)	73.65	+0.4
EUR	1.0762	+0.1	1.0756	1.0784	NOK	10.589	-0.1	Nasdaq	15,713	+0.6	29.7	Gold	2037.5	-0.0
GBP	1.2619	+0.2	1.2599	1.2642	HKD	7.819	-0.0	Stoxx 50	4,679	-0.3	11.2	HRC steel	953.0	-1.7
JPY	148.15	+0.1	147.63	148.26	CNY	7.195	+0.1	FTSE	7,629	-0.7	-3.0	CRB	269.1	+0.3
CAD	1.3475	-0.1			SGD	1.344	-0.0	DAX	16,922	-0.7	10.5	Wheat Chic.	605.5	+0.6
NZD/AUD	0.9366	+0.2			IDR	15,635	-0.6	CAC 40	7,611	-0.4	6.7	Sugar	24.19	+2.6
NZD/EUR	0.5673	+0.1			THB	35.61	+0.1	Nikkei	36,120	-0.1	30.8	Cotton	88.53	+1.1
NZD/GBP	0.4838	-0.0			KRW	1,328	+0.0	Shanghai	2,830	+1.4	-12.5	Coffee	187.5	+1.3
NZD/JPY	90.45	+0.3			TWD	31.36	+0.1	ASX 200	7,616	+0.5	1.1	WM powder	3445	+4.6
NZD/CAD	0.8226	+0.0			PHP	55.96	-0.4	NZX 50	11,952	+0.2	-2.1	Australian Futures		
NZ TWI	71.56	+0.1						VIX Index	13.09	+0.2	-29.8	3 year bond	96.37	0.04
Interest Rates														
	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	5.58	4.27	3.74	USD	4.11	0.01	15-May-26	4.82	0.13	BKBM 1-mth	5.60	0.01	
AUD	4.35	4.35	3.99	4.40	AUD	4.09	-0.04	15-Apr-27	4.66	0.12	BKBM 3-mth	5.68	0.01	
NZD	5.50	5.68	5.00	4.53	NZD	4.76	0.09	15-May-28	4.57	0.11	1 year	5.49	0.10	
EUR	4.00	3.93	3.06	2.70	GER	2.32	0.02	20-Apr-29	4.55	0.10	2 year	5.00	0.12	
GBP	5.25	5.33	4.44	3.77	GBP	3.99	0.04	15-May-30	4.59	0.10	3 year	4.68	0.11	
JPY	-0.01	-0.03	0.25	0.91	JPY	0.72	-0.01	15-May-31	4.65	0.09	5 year	4.46	0.09	
CAD	5.00	5.38	4.49	3.80	CAD	3.46	0.03	15-May-32	4.69	0.09	7 year	4.46	0.09	
					NZ Inflation-Indexed Bonds			14-Apr-33	4.72	0.09	10 year	4.53	0.08	
* These are indicative ranges from 5pm NZT;					Sep-30	2.47	0.08	15-May-34	4.76	0.09	15 year	4.68	0.08	
please confirm rates with your BNZ dealer					Sep-35	2.78	0.08	15-May-37	4.91	0.08				
Rates are as of: NZT 06:38					Sep-40	3.02	0.08	15-May-41	5.01	0.08				
Source: Bloomberg								15-May-51	5.01	0.08				

* These are indicative ranges from 5pm NZT;

please confirm rates with your BNZ dealer

Rates are as of: NZT 06:38

Source: Bloomberg

NZD exchange rates

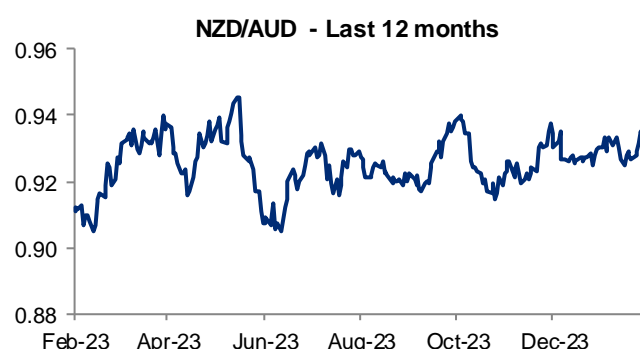
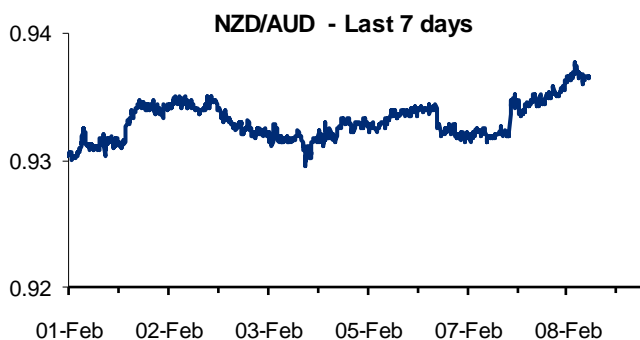
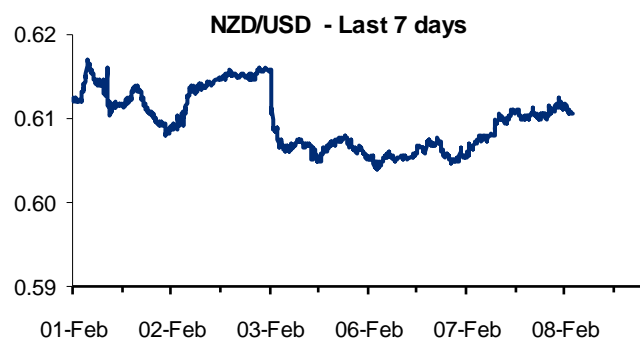
8/02/2024	6:38 am	Prev. NY close
USD	0.6105	0.6098
GBP	0.4838	0.4840
AUD	0.9366	0.9348
EUR	0.5673	0.5670
JPY	90.45	90.21
CAD	0.8226	0.8227
CHF	0.5333	0.5304
DKK	4.2301	4.2299
FJD	1.3722	1.3806
HKD	4.7737	4.7702
INR	50.65	50.65
NOK	6.4643	6.4580
PKR	170.51	170.38
PHP	34.16	34.27
PGK	2.2874	2.2779
SEK	6.4004	6.4063
SGD	0.8203	0.8197
CNY	4.3924	4.3845
THB	21.73	21.75
TOP	1.4301	1.4416
VUV	74.17	74.18
WST	1.6666	1.6609
XPF	67.42	67.53
ZAR	11.5381	11.4808

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.10	0.33
3 Months	-0.78	-0.28
6 Months	-6.13	-4.33
9 Months	-13.67	-10.83
1 Year	-22.29	-19.27

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.28	-8.31
3 Months	-26.75	-25.52
6 Months	-53.97	-49.79
9 Months	-77.00	-70.40
1 Year	-96.08	-88.05



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