

# Research Markets Today

12 February 2024

## Events Round-Up

CA: Payrolls (k), Jan: 37 vs. 15 exp.

CA: Unemployment rate (%), Jan: 5.7 vs. 5.9 exp.

## Good Morning

The S&P closed at a record high above the psychological 5,000 level on Friday. The index has made 5 consecutive weeks of gains and is close to 5% higher since the start of the year. In Japan, the Nikkei traded above 37,000 for the first time in 34 years. This is 5% below the all-time high reached back in December 1989. Foreign investors have been increasing exposure to Japanese stocks and have added US\$19 billion since the start of the year continuing a trend from the past 18 months. US treasury yields ended higher with a brief period of volatility around the release of CPI revisions. The US dollar was broadly stable against major currencies though both the NZD and AUD moved higher.

There was limited economic data for the market to focus on. However, the revisions to US CPI data gained more attention from market participants than usual after influential Fed Governor, Christopher Waller, highlighted the importance of the adjustments to confirm the downward trend for inflation in a recent speech. In any case, US inflation was close to what was originally reported with core inflation rising at a 3.3% annualised rate in Q4 2023, matching the initial release.

Fed speakers repeated a now familiar message. Dallas Fed president Lorie Logan said she sees no urgency to cut rates and that policy makers have time to assess the incoming data. In addition, Atlanta Fed president Raphael Bostic said policymakers must ensure inflation returns to the central bank's 2% target. Market pricing for the Fed's monetary policy track was little changed during last week. There are 5bps of cuts priced for the March meeting, 18bps by May and close to 110bps for the full year.

US treasury yields ended marginally higher in a largely parallel curve shift. 2-year yields increased 3bps to 4.48%, surpassing the previous spike in early January, to reach a fresh high for the year. Yields dipped immediately after the release of the CPI revisions but soon recovered. 10-year yields ended the week at 4.18%, only marginally below the

highs for 2024, and nearly 40bps above levels at the beginning of February.

Currency markets were subdued for the most part. The dollar index (DXY) dipped briefly, aligned with the move in treasury yields, but ended little changed against the major pairings. There was a notable outperformance by Australasian currencies despite the stable DXY. The yen largely looked past comments from Bank of Japan Governor Ueda that financial conditions will remain easy even after the end of the negative interest rate regime. The Canadian dollar temporarily spiked after payrolls rose twice as much as expected and the unemployment rate unexpectedly dropped to 5.7%.

NZD/USD extended the gains from the local session and outperformed within the G10 space. The repricing of RBNZ expectations following the stronger than expected labour market data has continued and provided support to the kiwi. NZD/USD closed near the weekly highs around 0.6150 and advanced on the cross rates. NZD/AUD managed to hold recent gains and is close to the highest level since May, with the widening yield differentials providing support.

NZ fixed income yields ended the local session sharply higher in yield and underperformed on a cross-market basis. Yields have continued to move higher since the Q4 labour market data. A change in the ANZ rates call for the RBNZ to hike at both the February and April meetings, coincided with broader unwinding of positions which exacerbated the move higher. 2-year swap rates increased 17bps to 5.19% and are 45bps higher relative to the start last week. The curve has continued to flatten with 10-year swap rates up 8bps on the day to 4.63%. The market is close to fully pricing a 25bps rate hike by the RBNZ's May Monetary Policy Statement.

Australian 3 and 10-year bond futures are ~5bps higher in yield since the local close on Friday and combined with the move higher in US treasury yields, suggest an upward bias to NZ yields on the open.

There is no data of note today.

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| 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   | 0.6150 | +0.9        | 0.6115 | 0.6158                | CHF      | 0.8747                     | +0.1    | S&P 500             | 5,027     | +0.6  | 23.2       | Oil (Brent)                      | 82.19  | +0.7    |
| AUD   | 0.6525 | +0.5        | 0.6492 | 0.6534                | SEK      | 10.457                     | -0.2    | Dow                 | 38,672    | -0.1  | 14.8       | Oil (WTI)                        | 76.84  | +0.8    |
| EUR   | 1.0785 | +0.1        | 1.0762 | 1.0795                | NOK      | 10.542                     | -0.7    | Nasdaq              | 15,991    | +1.2  | 35.6       | Gold                             | 2023.3 | -0.4    |
| GBP   | 1.2630 | +0.1        | 1.2599 | 1.2643                | HKD      | 7.820                      | -0.0    | Stoxx 50            | 4,716     | +0.1  | 11.0       | HRC steel                        | 945.0  | +0.0    |
| JPY   | 149.28 | -0.0        | 149.02 | 149.57                | CNY      | 7.194                      | -0.0    | FTSE                | 7,573     | -0.3  | -4.3       | CRB                              | 274.3  | +0.3    |
| CAD   | 1.3459 | +0.0        |        |                       | SGD      | 1.346                      | -0.1    | DAX                 | 16,927    | -0.2  | 9.0        | Wheat Chic.                      | 599.3  | +0.9    |
| NZD/AUD                                     | 0.9425 | +0.4        |        |                       | IDR      | 15,635                     | -0.6    | CAC 40              | 7,648     | -0.2  | 6.4        | Sugar                            | 24.02  | +0.2    |
| NZD/EUR                                     | 0.5702 | +0.8        |        |                       | THB      | 35.92                      | +0.2    | Nikkei              | 36,897    | +0.1  | 33.3       | Cotton                           | 91.78  | +3.0    |
| NZD/GBP                                     | 0.4869 | +0.8        |        |                       | KRW      | 1,333                      | +0.4    | Shanghai            | 2,866     | +1.3  | -12.4      | Coffee                           | 191.5  | +3.0    |
| NZD/JPY                                     | 91.80  | +0.9        |        |                       | TWD      | 31.36                      | +0.1    | ASX 200             | 7,645     | +0.1  | 2.8        | WM powder                        | 3410   | -1.0    |
| NZD/CAD                                     | 0.8277 | +0.9        |        |                       | PHP      | 55.86                      | -0.1    | NZX 50              | 11,863    | -0.1  | -2.6       | Australian Futures               |        |         |
| NZ TWI                                      | 72.05  | +0.8        |        |                       |          |                            |         | VIX Index           | 12.93     | +1.1  | -37.6      | 3 year bond                      | 96.32  | -0.03   |
| Interest Rates                              |        |             |        |                       |          |                            |         |                     |           |       |            | 10 year bond 95.83 -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   | 5.56        | 4.34   | 3.81                  | USD      | 4.18                       | 0.02    | 15-May-26           | 4.99      | 0.16  | BKBM 1-mth | 5.61                             | 0.00   |         |
| AUD   | 4.35   | 4.34        | 4.05   | 4.42                  | AUD      | 4.13                       | 0.02    | 15-Apr-27           | 4.82      | 0.15  | BKBM 3-mth | 5.69                             | -0.00  |         |
| NZD   | 5.50   | 5.69        | 5.19   | 4.63                  | NZD      | 4.85                       | 0.09    | 15-May-28           | 4.73      | 0.15  | 1 year     | 5.69                             | 0.18   |         |
| EUR   | 4.00   | 3.90        | 3.12   | 2.76                  | GER      | 2.38                       | 0.03    | 20-Apr-29           | 4.70      | 0.14  | 2 year     | 5.19                             | 0.17   |         |
| GBP   | 5.25   | 5.32        | 4.53   | 3.84                  | GBP      | 4.09                       | 0.04    | 15-May-30           | 4.73      | 0.13  | 3 year     | 4.86                             | 0.15   |         |
| JPY   | -0.01  | -0.03       | 0.26   | 0.92                  | JPY      | 0.73                       | 0.02    | 15-May-31           | 4.76      | 0.11  | 5 year     | 4.60                             | 0.12   |         |
| CAD   | 5.00   | 5.36        | 4.58   | 3.88                  | CAD      | 3.54                       | -0.01   | 15-May-32           | 4.79      | 0.11  | 7 year     | 4.58                             | 0.10   |         |
|   |        |             |        |                       |          | NZ Inflation-Indexed Bonds |         | 14-Apr-33           | 4.81      | 0.10  | 10 year    | 4.63                             | 0.08   |         |
| * These are indicative ranges from 5pm NZT; |        |             |        |                       |          | Sep-30                     | 2.54    | 0.03                | 15-May-34 | 4.85  | 0.09       | 15 year                          | 4.76   | 0.07    |
| please confirm rates with your BNZ dealer   |        |             |        |                       |          | Sep-35                     | 2.85    | 0.03                | 15-May-37 | 4.99  | 0.09       |                                  |        |         |
| Rates at NY close                           |        |             |        |                       |          | Sep-40                     | 3.05    | -0.01               | 15-May-41 | 5.10  | 0.09       |                                  |        |         |
| Source: Bloomberg                           |        |             |        |                       |          |                            |         | 15-May-51           | 5.09      | 0.09  |            |                                  |        |         |

**NZD exchange rates**

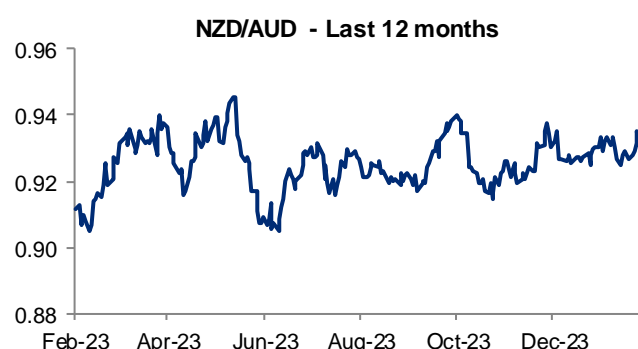
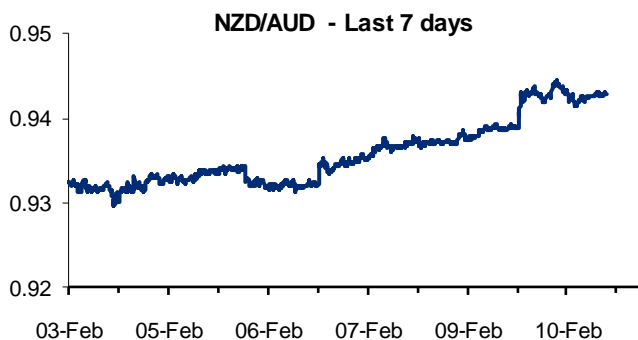
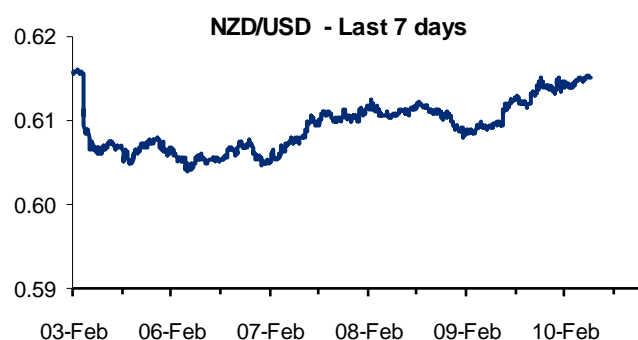
| 10/02/2024 | NY close | Prev. NY close |
|------------|----------|----------------|
| USD        | 0.6150   | 0.6097         |
| GBP        | 0.4869   | 0.4832         |
| AUD        | 0.9425   | 0.9392         |
| EUR        | 0.5702   | 0.5657         |
| JPY        | 91.80    | 91.04          |
| CAD        | 0.8277   | 0.8205         |
| CHF        | 0.5379   | 0.5327         |
| DKK        | 4.2522   | 4.2171         |
| FJD        | 1.3817   | 1.3791         |
| HKD        | 4.8090   | 4.7686         |
| INR        | 51.06    | 50.58          |
| NOK        | 6.4835   | 6.4739         |
| PKR        | 171.74   | 170.29         |
| PHP        | 34.39    | 34.12          |
| PGK        | 2.3051   | 2.2852         |
| SEK        | 6.4309   | 6.3872         |
| SGD        | 0.8277   | 0.8214         |
| CNY        | 4.4241   | 4.3878         |
| THB        | 22.09    | 21.84          |
| TOP        | 1.4349   | 1.4366         |
| VUV        | 74.74    | 73.82          |
| WST        | 1.6853   | 1.6587         |
| XPF        | 67.85    | 67.36          |
| ZAR        | 11.6998  | 11.5657        |

**NZD/USD Forward Points**

|          | BNZ buys NZD | BNZ sells NZD |
|----------|--------------|---------------|
| 1 Month  | -0.49        | 0.24          |
| 3 Months | -2.46        | -1.72         |
| 6 Months | -11.71       | -7.88         |
| 9 Months | -23.31       | -16.09        |
| 1 Year   | -34.04       | -28.56        |

**NZD/AUD Forward points**

|          | BNZ buys NZD | BNZ Sells NZD |
|----------|--------------|---------------|
| 1 Month  | -9.24        | -7.70         |
| 3 Months | -29.42       | -27.69        |
| 6 Months | -63.12       | -55.71        |
| 9 Months | -93.09       | -79.38        |
| 1 Year   | -116.94      | -103.45       |



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