

Research Markets Today

12 March 2024

Events Round-Up

JN: GDP (q/q%), Q1: 0.1 vs. 0.3 exp.

Good Morning

It has been a typically quiet start to the trading week, more so with focus on the US CPI report due tonight. Heavy supply is weighing on US Treasuries, seeing yields modestly higher, US equities are down slightly, and currency movements are well contained. The NZD is down slightly to 0.6165.

Markets largely are in a holding pattern ahead of the key US CPI report tonight, where there will be heightened sensitivity to any deviation from the consensus which, for the CPI ex food and energy measure, is 0.3% m/m and 3.7% y/y. After the surprising uptick in inflation in January, the market will be wanting to see signs of a pullback to justify views that the Fed can cut rates in three months, at the June meeting. A negative surprise could see May brought into play, with lower US rates and a weaker USD, while a positive surprise could see a delay of cuts into the second half, with higher rates and a stronger USD.

US Treasury yields have pushed higher with a flattening bias. Strong corporate bond supply early in the week, as firms seek deals ahead of the CPI report, as well as heavy Treasury issuance this week are contributing factors. This includes a large \$56b 3-year auction, which drew support at a basis point below the prevailing rate, given the lift in yield prior to the event. The 2-year rate is currently up 5bps from last week's close to 4.53% while the 10-year rate is up 2bps to 4.09%. US equities are down slightly, with the S&P500 paring earlier losses to be down 0.1% in early afternoon trading.

Currency markets are well contained. GBP has underperformed, down 0.4% to 1.28 as it reversed its gain on Friday. Apart from that, movements have been contained to within 0.2% against the USD. The NZD is currently at 0.6165, down slightly from last week's close. AUD temporarily dipped below 0.66 but is back above the figure. Not helping the currency is focus on still-falling iron ore prices. Iron ore prices fell 3½% yesterday, extending their fall this year to about 20%. The slump in China's property market is seeing weak demand and driving stockpiles at Chinese ports to their highest level in a year.

JPY has outperformed again, with USD/JPY down slightly 146.90, with continued speculation that the BoJ is on the verge of a hawkish pivot at next week's meeting. Japan GDP in Q1 was upwardly revised to +0.1% q/q from the initial estimate of a 0.1% contraction, helping the optics of the BoJ pivoting towards a more hawkish policy stance, with the technical recession in 2H23 now revised away.

This follows a number of media reports, perhaps fuelled by BoJ leaks, that officials are considering both abandoning the yield curve control policy and lifting its negative policy rate at next week's meeting. NZD/JPY is down 0.3% to 90.6, its lowest level in a month and down over 3% from its recent peak.

Bitcoin continues its exponential run, with a clear break of USD70,000 encouraging further gains, to be up over 4% to USD72,500.

Domestic rates were down 3-5bps across the swaps and NZGB curve yesterday, largely a reflection of global forces, although there remains lingering receive-side interest in 2-year swap on views that there is no chance of the RBNZ hiking again this cycle. A rate cut is now fully priced for the August meeting. The 2-year swap rate fell 5bps to 4.88% while the 10-year rate fell 3bps to 4.36%.

In the day ahead, as noted the key focus will be on the US CPI. Elsewhere, UK labour market data, in particular wage data, will be of some market interest. Second-tier data due include NZ card spending data for February.

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Coming Up

| | | Period | Cons. | Prev. | NZT |
|----|--------------------------------|--------|-------|-------|-------|
| NZ | Card spending total (m/m%) | Feb | | 2.0 | 10:45 |
| AU | NAB business conditions | Feb | | 6 | 13:30 |
| UK | Unemployment rate (%) | Jan | 3.8 | 3.8 | 20:00 |
| UK | Wkly earnings ex bonus (3m/y%) | Jan | 6.2 | 6.2 | 20:00 |
| US | NFIB small bus. optimism | Feb | 90.2 | 89.9 | 23:00 |
| US | CPI (m/m%) | Feb | 0.4 | 0.3 | 01:30 |
| US | CPI ex food, energy (m/m%) | Feb | 0.3 | 0.4 | 01:30 |
| US | CPI (y/y%) | Feb | 3.1 | 3.1 | 01:30 |
| US | CPI ex food, energy (y/y%) | Feb | 3.7 | 3.9 | 01:30 |

Source: Bloomberg, BNZ

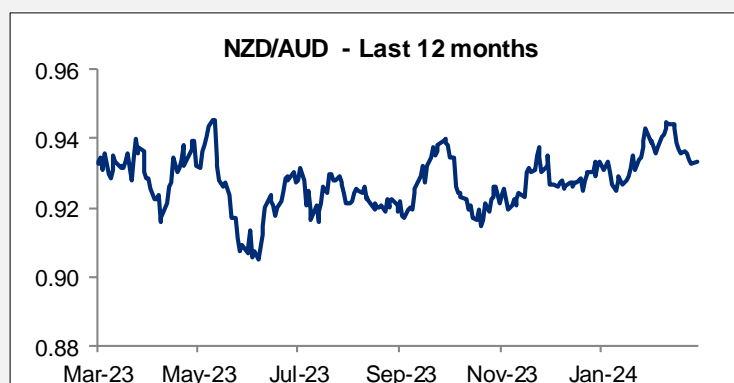
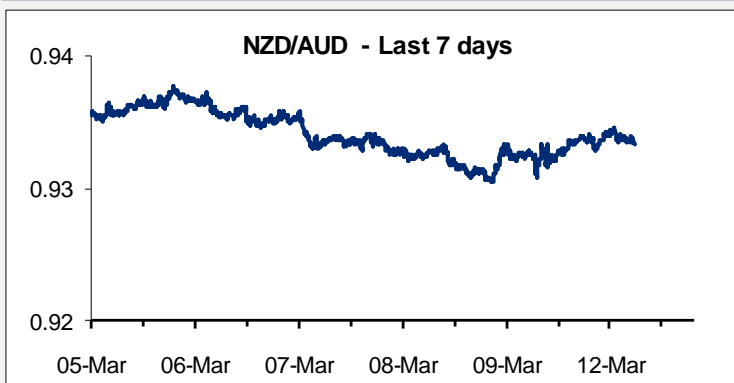
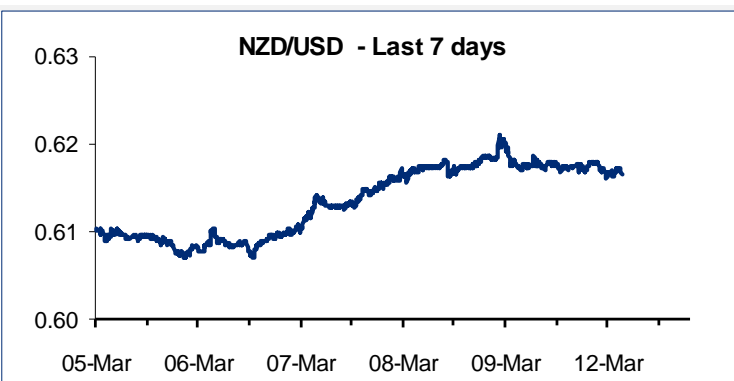
| Currencies | | | | | | Equities | | | | Commodities | | | | |
|---------------------------------|--------|-------|-------------|--------|-----------------------|----------|---------------------|-----------|--------|-------------------------|----------------------------------|---------------------------|--------|------|
| 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 | 0.6165 | -0.2 | 0.6160 | 0.6182 | CHF | 0.8783 | +0.1 | S&P 500 | 5,112 | -0.2 | 32.4 | Oil (Brent) | 82.08 | +0.0 |
| AUD | 0.6606 | -0.3 | 0.6597 | 0.6621 | SEK | 10.249 | +0.4 | Dow | 38,735 | +0.0 | 21.4 | Oil (WTI) | 77.77 | -0.3 |
| EUR | 1.0926 | -0.1 | 1.0915 | 1.0948 | NOK | 10.470 | +0.4 | Nasdaq | 16,035 | -0.3 | 44.0 | Gold | 2185.8 | +0.0 |
| GBP | 1.2808 | -0.4 | 1.2795 | 1.2858 | HKD | 7.821 | +0.0 | Stoxx 50 | 4,930 | -0.6 | 16.6 | HRC steel | 808.0 | -0.7 |
| JPY | 146.92 | -0.1 | 146.49 | 147.15 | CNY | 7.182 | -0.1 | FTSE | 7,669 | +0.1 | -1.0 | CRB | 276.6 | -0.9 |
| CAD | 1.3486 | +0.0 | | | SGD | 1.331 | -0.0 | DAX | 17,746 | -0.4 | 15.0 | Wheat Chic. | 548.3 | +1.9 |
| NZD/AUD | 0.9332 | +0.1 | | | IDR | 15,590 | -0.4 | CAC 40 | 8,020 | -0.1 | 11.1 | Sugar | 21.95 | +3.8 |
| NZD/EUR | 0.5643 | -0.1 | | | THB | 35.43 | +0.2 | Nikkei | 38,820 | -2.2 | 37.9 | Cotton | 95.92 | +0.7 |
| NZD/GBP | 0.4813 | +0.2 | | | KRW | 1,310 | -0.7 | Shanghai | 3,068 | +0.7 | -5.0 | Coffee | 185.0 | -0.3 |
| NZD/JPY | 90.58 | -0.3 | | | TWD | 31.42 | -0.0 | ASX 200 | 7,704 | -1.8 | 7.8 | WM powder | 3130 | +1.3 |
| NZD/CAD | 0.8314 | -0.2 | | | PHP | 55.38 | -0.4 | NZX 50 | 11,874 | -0.4 | 1.3 | Australian Futures | | |
| NZ TWI | 71.76 | -0.2 | | | | | | VIX Index | 15.35 | +4.1 | -38.1 | 3 year bond | 96.42 | 0.02 |
| Interest Rates | | | | | | | | | | 10 year bond | | | 96.01 | 0.00 |
| | 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 | 4.43 | 3.72 | USD | 4.10 | 0.02 | 15-May-26 | 4.67 | -0.05 | BKBM 1-mth | 5.59 | 0.00 | |
| AUD | 4.35 | 4.35 | 3.93 | 4.23 | AUD | 3.95 | -0.02 | 15-Apr-27 | 4.48 | -0.05 | BKBM 3-mth | 5.65 | 0.00 | |
| NZD | 5.50 | 5.65 | 4.88 | 4.36 | NZD | 4.59 | -0.04 | 15-May-28 | 4.40 | -0.05 | 1 year | 5.40 | -0.04 | |
| EUR | 4.00 | 3.94 | 3.11 | 2.58 | GER | 2.30 | 0.04 | 20-Apr-29 | 4.39 | -0.05 | 2 year | 4.88 | -0.05 | |
| GBP | 5.25 | 5.33 | 4.47 | 3.68 | GBP | 3.97 | -0.01 | 15-May-30 | 4.41 | -0.05 | 3 year | 4.57 | -0.06 | |
| JPY | -0.02 | -0.03 | 0.27 | 0.89 | JPY | 0.76 | 0.02 | 15-May-31 | 4.44 | -0.05 | 5 year | 4.33 | -0.05 | |
| CAD | 5.00 | 5.31 | 4.42 | 3.66 | CAD | 3.35 | 0.02 | 15-May-32 | 4.50 | -0.05 | 7 year | 4.31 | -0.04 | |
| | | | | | | | | 14-Apr-33 | 4.54 | -0.05 | 10 year | 4.36 | -0.03 | |
| | | | | | | | | 15-May-34 | 4.59 | -0.04 | 15 year | 4.48 | -0.03 | |
| | | | | | | | | 15-May-37 | 4.72 | -0.04 | | | | |
| | | | | | | | | 15-May-41 | 4.81 | -0.04 | | | | |
| | | | | | | | | 15-May-51 | 4.79 | -0.04 | | | | |
| | | | | | | | | 15-May-54 | 4.81 | -0.03 | | | | |

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:58

Source: Bloomberg

NZD exchange rates

| 12/03/2024 6:58 am | | Prev. NY close |
|--------------------|---------|----------------|
| USD | 0.6165 | 0.6177 |
| GBP | 0.4813 | 0.4804 |
| AUD | 0.9332 | 0.9325 |
| EUR | 0.5643 | 0.5647 |
| JPY | 90.58 | 90.84 |
| CAD | 0.8314 | 0.8328 |
| CHF | 0.5415 | 0.5418 |
| DKK | 4.2071 | 4.2094 |
| FJD | 1.3761 | 1.3770 |
| HKD | 4.8216 | 4.8305 |
| INR | 51.02 | 51.14 |
| NOK | 6.4546 | 6.4396 |
| PKR | 172.16 | 172.52 |
| PHP | 34.14 | 34.33 |
| PGK | 2.3133 | 2.3274 |
| SEK | 6.3184 | 6.3057 |
| SGD | 0.8203 | 0.8222 |
| CNY | 4.4273 | 4.4396 |
| THB | 21.82 | 21.88 |
| TOP | 1.4361 | 1.4527 |
| VUV | 74.07 | 74.41 |
| WST | 1.6716 | 1.6676 |
| XPF | 67.66 | 67.60 |
| ZAR | 11.5136 | 11.5691 |



NZD/USD Forward Points

| | BNZ buys NZD | BNZ sells NZD |
|----------|--------------|---------------|
| 1 Month | 0.05 | 0.28 |
| 3 Months | -0.15 | 0.35 |
| 6 Months | -2.76 | -1.44 |
| 9 Months | -6.26 | -4.26 |
| 1 Year | -10.11 | -7.11 |

NZD/AUD Forward points

| | BNZ buys NZD | BNZ Sells NZD |
|----------|--------------|---------------|
| 1 Month | -9.51 | -9.01 |
| 3 Months | -25.69 | -24.50 |
| 6 Months | -51.29 | -47.88 |
| 9 Months | -73.12 | -68.00 |
| 1 Year | -91.13 | -83.84 |

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