

Research Markets Today

13 February 2024

Events Round-Up

Nothing of note

Good Morning

It has been a quiet start to the week, with a large number of Asian markets closed for Lunar New Year holidays and little newsflow. US equity markets have edged higher, extending the record-breaking run, US Treasury yields have traded in a tight range and in currency markets the NZD has lost a little air after last week's outperformance.

The only market mover of interest has been some modest NZD weakness after its broadly based gains of last week that followed stronger than expected labour market data and, on Friday, ANZ's surprising change in rate call of predicting two more hikes by the RBNZ over the next two meetings.

The rest of the market isn't buying into that view although remains on alert. Yesterday, the domestic rates market was a bit messy. The day opened with a nearly full rate hike priced by May, but by the end of the session pricing had faded to a 65% chance, with the chance of a hike later this month fading to 33%, after being close to a 50/50 bet. Near-term bill futures fell about 5bps on the day in yield terms but swap rates were up 3-4bps across most of the curve, highlighting the sort of messy day it was, with positioning adjustments ongoing. NZGB yields were 2-3bps higher across the curve, more reflecting global forces.

The RBNZ was facing lawmakers regarding financial stability and the annual review and one comment that got our interest was Governor Orr saying "core inflation is what really matters to us" while downplaying the split between tradeables and non-tradeables. This is important to the extent that all core measures of inflation are falling as fast as they rose, at a time when the fall in non-tradeables has been a bit more pedestrian.

As the market digested the odds of further RBNZ hikes and decided they were fading, the NZD lost some air and has been the worst performing of the majors, albeit in the context of its gains of 1-2% last week. Still, currency movements have been modest overall NZD/USD is down only 0.2% to 0.6140. With the AUD one of the better performers, edging up to 0.6540, NZD/AUD is down 0.4%

to 0.9385, back to the level that preceded ANZ's change in rate call on Friday, and after a push towards 0.9450. The NZD is down 0.1-0.3% on the other key crosses.

Bond and equity markets have been well contained overnight, with little newsflow to drive any significant change in pricing. The US 10-year Treasury yield sits at 4.16% after trading a 4.14-4.19% range overnight. European 10-year rates are slightly lower. The S&P500 is currently up 0.3%, extending its record -breaking run.

In the day ahead, focus will be on the US CPI print for January. An in-line or strong result would likely rule out a March rate cut by the Fed, but a surprisingly weak result would keep the faint possibility alive. The consensus sees a 0.3% m/m gain for the CPI ex food and energy measure, seeing the annual increase fall further to 3.7%. UK labour market data, including wages, will also be of interest.

Domestically, with increasing attention and differing views on the RBNZ's next policy move, there will be greater focus on NZ data releases, even if second-tier. First up this week will be the RBNZ 2-year inflation expectations figure released this afternoon. Tomorrow will see REINZ housing data, card spending and monthly pricing indicators, followed by manufacturing PMI data and a speech by Governor Orr on Friday.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Westpac consumer confid.	Feb	81.0	12:30	
AU	NAB business conditions	Jan	7	13:30	
NZ	RBNZ 2y inflation expect. (%)	Q1	2.76	15:00	
UK	Unemployment rate (%)	Q4	4.0	4.3	20:00
UK	Wkly earnings x bonus (y/y%)	Q4	6.0	6.6	20:00
GE	ZEW survey expectations	Feb	17.5	15.2	23:00
US	NFIB small bus. optimism	Jan	92.1	91.9	00:00
US	CPI (m/m%)	Jan	0.2	0.3	02:30
US	CPI ex food, energy (m/m%)	Jan	0.3	0.3	02:30
US	CPI (y/y%)	Jan	2.9	3.4	02:30
US	CPI ex food, energy (y/y%)	Jan	3.7	3.9	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	0.6139	-0.2	0.6121	0.6143	CHF	0.8755	+0.1	S&P 500	5,042	+0.3	23.3	Oil (Brent)	81.88	-0.4	
AUD	0.6542	+0.3	0.6512	0.6542	SEK	10.411	-0.4	Dow	38,875	+0.5	14.8	Oil (WTI)	76.79	-0.1	
EUR	1.0780	-0.0	1.0756	1.0806	NOK	10.497	-0.4	Nasdaq	16,054	+0.4	37.0	Gold	2016.8	-0.3	
GBP	1.2638	+0.1	1.2606	1.2655	HKD	7.820	+0.0	Stoxx 50	4,746	+0.6	13.1	HRC steel	933.0	-1.3	
JPY	149.27	-0.0	148.93	149.48	CNY	7.194	-0.0	FTSE	7,574	+0.0	-3.9	CRB	274.3	+0.3	
CAD	1.3438	-0.2			SGD	1.344	-0.1	DAX	17,037	+0.7	11.3	Wheat Chic.	603.8	+0.8	
NZD/AUD	0.9384	-0.5			IDR	15,595	-0.3	CAC 40	7,690	+0.6	7.9	Sugar	23.67	-1.5	
NZD/EUR	0.5695	-0.1			THB	35.87	-0.1	Nikkei	36,897	+0.1	33.3	Cotton	90.90	-1.0	
NZD/GBP	0.4858	-0.3			KRW	1,331	-0.1	Shanghai	2,866	+1.3	-12.4	Coffee	191.2	-0.2	
NZD/JPY	91.64	-0.2			TWD	31.36	+0.1	ASX 200	7,615	-0.4	2.7	WM powder	3400	-0.3	
NZD/CAD	0.8250	-0.4			PHP	56.02	+0.3	NZX 50	11,758	-0.9	-2.6	Australian Futures			
NZ TWI	71.93	-0.3						VIX Index	13.59	+5.1	-33.8	3 year bond	96.26	-0.06	
Interest Rates											10 year bond			95.82	-0.01
	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	5.57	4.33	3.80	USD	4.16	-0.01	15-May-26	5.02	0.03	BKBM 1-mth	5.66	0.05		
AUD	4.35	4.35	4.05	4.43	AUD	4.16	0.04	15-Apr-27	4.86	0.03	BKBM 3-mth	5.78	0.09		
NZD	5.50	5.78	5.23	4.66	NZD	4.87	0.03	15-May-28	4.76	0.03	1 year	5.69	0.00		
EUR	4.00	3.89	3.09	2.73	GER	2.36	-0.02	20-Apr-29	4.73	0.03	2 year	5.23	0.04		
GBP	5.25	5.32	4.48	3.83	GBP	4.06	-0.03	15-May-30	4.75	0.03	3 year	4.90	0.04		
JPY	-0.01	-0.03	0.26	0.92	JPY	0.73	0.00	15-May-31	4.79	0.02	5 year	4.65	0.05		
CAD	5.00	5.36	4.59	3.89	CAD	3.56	0.01	15-May-32	4.82	0.02	7 year	4.62	0.04		
					NZ Inflation-Indexed Bonds			14-Apr-33	4.83	0.02	10 year	4.66	0.03		
* These are indicative ranges from 5pm NZT;					Sep-30	2.60	0.06	15-May-34	4.87	0.03	15 year	4.79	0.03		
please confirm rates with your BNZ dealer					Sep-35	2.91	0.06	15-May-37	5.02	0.03					
Rates are as of: NZT 06:56					Sep-40	3.11	0.06	15-May-41	5.12	0.03					
Source: Bloomberg								15-May-51	5.11	0.02					

NZD exchange rates

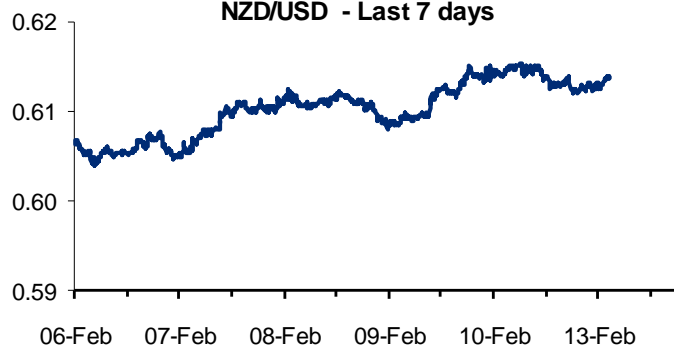
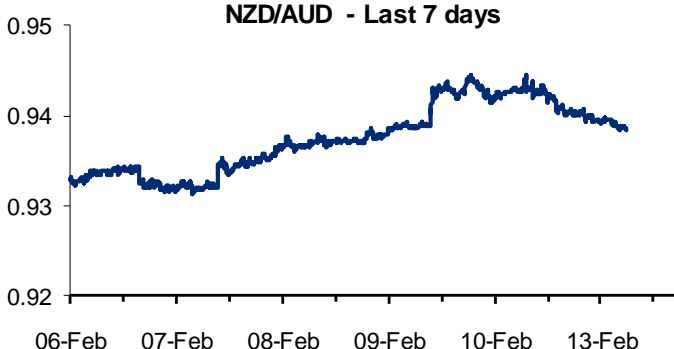
13/02/2024	6:56 am	Prev. NY close
USD	0.6139	0.6150
GBP	0.4858	0.4870
AUD	0.9384	0.9427
EUR	0.5695	0.5703
JPY	91.64	91.81
CAD	0.8250	0.8278
CHF	0.5375	0.5379
DKK	4.2451	4.2522
FJD	1.3774	1.3817
HKD	4.8005	4.8090
INR	50.96	51.06
NOK	6.4438	6.4835
PKR	171.49	171.74
PHP	34.39	34.39
PGK	2.3018	2.3051
SEK	6.3916	6.4309
SGD	0.8250	0.8277
CNY	4.4162	4.4260
THB	22.03	22.09
TOP	1.4257	1.4349
VUV	74.48	74.74
WST	1.6726	1.6853
XPF	67.74	67.85
ZAR	11.6210	11.6998

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.19	0.12
3 Months	-1.79	-1.21
6 Months	-9.35	-7.56
9 Months	-19.87	-17.73
1 Year	-32.38	-29.38

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.61	-7.91
3 Months	-28.07	-26.69
6 Months	-59.36	-55.18
9 Months	-87.21	-81.83
1 Year	-112.55	-105.01

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

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