

Research Markets Today

13 March 2024

Events Round-Up

NZ: Card spending total (m/m%), Feb: -1.9 vs. 2.0 prev.
 AU: NAB business conditions, Feb: 10 vs. 7 prev.
 UK: Unemployment rate (%), Jan: 3.9 vs. 3.8 exp.
 UK: Wkly earnings ex bonus (3m/y%), Jan: 6.1 vs. 6.2 exp.
 US: NFIB small bus. optimism, Feb: 89.4 vs. 90.2 exp.
 US: CPI (m/m%), Feb: 0.4 vs. 0.4 exp.
 US: CPI ex food, energy (m/m%), Feb: 0.4 vs. 0.3 exp.
 US: CPI (y/y%), Feb: 3.2 vs. 3.1 exp.
 US: CPI ex food, energy (y/y%), Feb: 3.8 vs. 3.7 exp.

Good Morning

US rates and the USD are modestly higher after the US CPI report was a touch stronger than consensus, providing no fuel for those looking for an imminent Fed rate cut. Treasury rates are up 5-6bps across the curve. The NZD has slightly underperformed, falling to 0.6150 and down modestly on most crosses.

The key risk event for markets for the week, the US CPI report for February, showed inflation marginally higher than expected. But, overall, one might say that index rounding was as much responsible as actually stronger inflation. The headline figure of 0.4% m/m was in line, seeing the annual increase tick higher to 3.2% (3.1% expected). The core lift of 0.4% m/m was 0.36% on unrounded figures, higher than the 0.3% expected, seeing the annual increase tick down to 3.8% (3.7% expected), but still the lowest annual rise since May 2021.

Shelter and gasoline contributed to over 60% of the headline monthly increase, the former still running much higher than implied by timelier indicators for rents. The so-called "super core" measure of inflation, which is core services ex shelter, rose by 0.47% m/m, down from 0.85% in January. Thus, the data overall were mixed, with key inflation metrics running weaker than January's significant upside surprise, but not evidently weak enough to give an all-clear signal for the Fed to ease policy yet, given still-sticky core measures of inflation.

Earlier, the NFIB small business survey showed weaker confidence levels (again), despite the strength of US equities, which would have usually seen higher confidence

levels. This could be seen as further evidence of some cracks opening in the US economy.

Damage to US Treasuries from the inflation data has been well contained, with rates up 5-6bps across the curve. The data reduce the chance of an early easing in US monetary policy. Little chance of an easing is given for next week's meeting or the May meeting, and pricing for June moderated slightly to 20bps (previously 22bps).

Higher rates haven't dampened spirits for equity investors, with the S&P500 currently up 0.8%, led by strong gains for the IT sector. European rates are up only slightly and the Euro Stoxx 600 index closed up 1% to a fresh record high.

UK labour market data showed a small easing of pressures, with the unemployment rate up a tick to 3.9%, and weekly earnings (ex bonuses) down a tick to a still-high 6.1%, even if moving in the right direction for the BoE. Speaking after the figures, BoE Governor Bailey said that the economy was at, or near, full employment but despite that he acknowledged the process of disinflation, which is typically unusual at full employment, and he was less concerned about second round effects on inflation.

Yesterday, there remained heightened speculation on the BoJ's policy stance at next week's meeting, with media reports suggesting split views on whether the negative short term policy rate will end as soon as the March meeting. Bloomberg's sourced report suggested that the outcome was currently too close to call, and it might come down to a captain's call by Governor Ueda. The story added that if not a March hike, a signal of an imminent hike might be required to maintain expectations and limit market reaction. Dow Jones also noted the split views and that the BoJ would likely move slowly in raising rates, dampening expectations that a series of hikes would automatically follow.

Speaking in Parliament, Governor Ueda said the economy was recovering but also showing some signs of weakness, noting recent soft consumer spending for non-durable goods. His comments provided an offset to the more hawkish media reports, and this saw a weaker yen yesterday afternoon, which extended overnight as the USD found support post-CPI. This sees the yen as the weakest of the key majors since this time yesterday, with USD/JPY up 0.5% to 147.80.

Most majors have weakened against the USD, although movements have been modest. The NZD is on the weak

side of the ledger, falling to around 0.6150 and lower on the key crosses except against the yen. The AUD has slipped just below 0.66 and NZD/AUD has nudged down to 0.9315.

In the domestic rates market yesterday there was little net movement in yields across bonds and swaps. NZGB rates were mostly unchanged, apart from a 2bps lift in ultra-long bonds. The 2-year swap rate was unchanged at 4.87% and the 10-year rate fell 1bp to 4.36%. Since the NZ close, Australian 10-year bond futures are up 5bps in yield terms, which will set the tone for the NZ open.

NZ card spending data showed a drop of 1.9% m/m in February, following the 2.0% lift in January. The data have been volatile of late so there has been more noise than signal, but the poor print despite the leap day and higher fuel prices did nothing to change the view that consumer spending is in a significant slump.

The calendar ahead is scattered with second-tier data. NZ monthly price indicators for February will help firm up Q1 CPI estimates. Monthly UK industrial production and GDP data are released alongside euro area industrial production.

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Coming Up

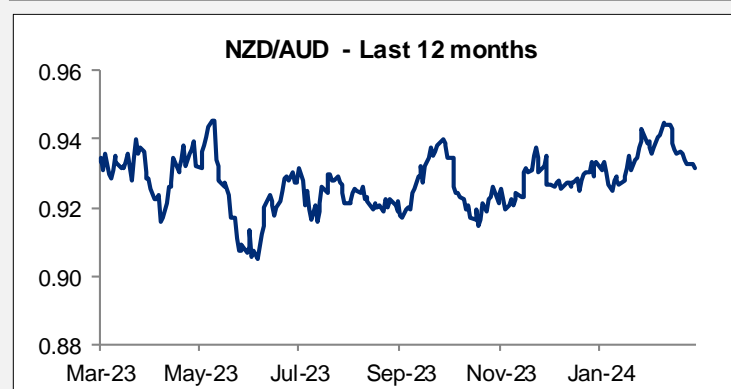
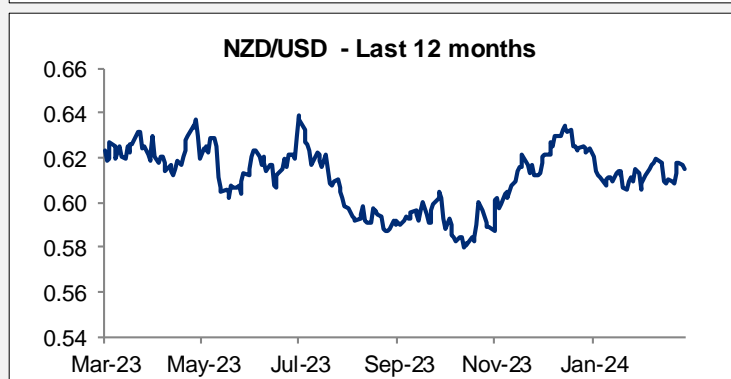
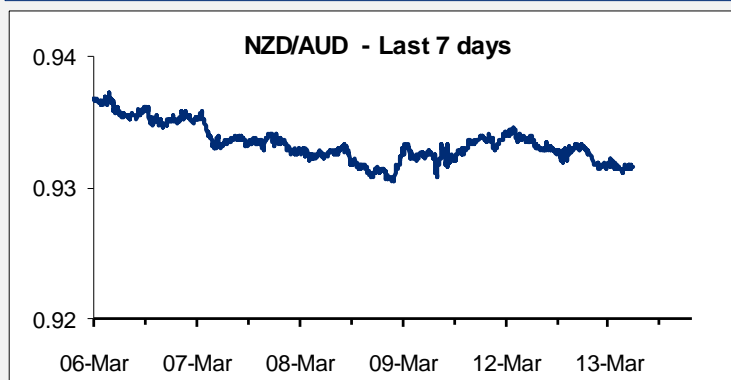
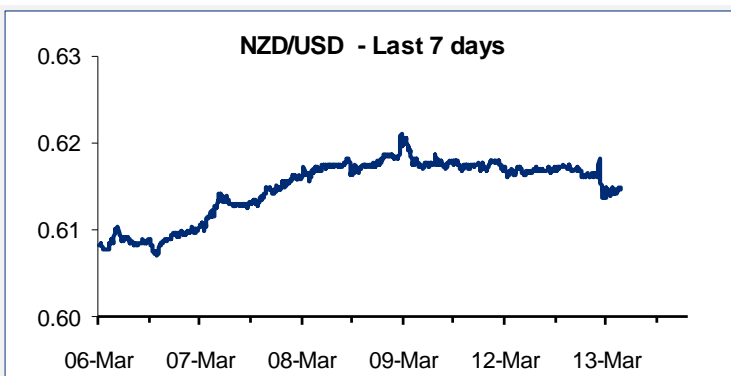
		Period	Cons.	Prev.	NZT
NZ	Food prices (y/y%)	Feb	4.0	10:45	
UK	Industrial production (m/m%)	Jan	0.0	0.6	20:00
UK	GDP (m/m%)	Jan	0.2	-0.1	20:00
EC	Industrial production (m/m%)	Jan	-1.8	2.6	23:00

Source: Bloomberg, BNZ

Currencies								Equities				Commodities			
Indicative overnight ranges (*)				Other FX				Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High		Last	% Day				Last	Net Day			
NZD	0.6148	-0.4	0.6136	0.6184	CHF	0.8785	+0.1	S&P 500	5,160	+0.8	33.6	Oil (Brent)	82.14	-0.1	
AUD	0.6600	-0.2	0.6584	0.6639	SEK	10.241	-0.0	Dow	38,991	+0.6	22.2	Oil (WTI)	77.80	-0.1	
EUR	1.0921	-0.0	1.0902	1.0944	NOK	10.534	+0.7	Nasdaq	16,194	+1.1	45.4	Gold	2162.9	-1.1	
GBP	1.2785	-0.2	1.2746	1.2821	HKD	7.824	+0.0	Stoxx 50	4,983	+1.1	17.8	HRC steel	800.0	-1.0	
JPY	147.77	+0.6	147.07	148.12	CNY	7.181	-0.0	FTSE	7,748	+1.0	0.0	CRB	278.0	+0.5	
CAD	1.3499	+0.1			SGD	1.333	+0.2	DAX	17,965	+1.2	16.4	Wheat Chic.	547.5	+0.0	
NZD/AUD	0.9315	-0.2			IDR	15,590	-0.4	CAC 40	8,087	+0.8	12.0	Sugar	21.89	-0.1	
NZD/EUR	0.5630	-0.3			THB	35.75	+0.9	Nikkei	38,798	-0.1	39.4	Cotton	94.98	-0.1	
NZD/GBP	0.4809	-0.1			KRW	1,311	+0.1	Shanghai	3,056	-0.4	-6.5	Coffee	185.9	+0.5	
NZD/JPY	90.85	+0.2			TWD	31.42	-0.0	ASX 200	7,713	+0.1	8.5	WM powder	3110	-0.6	
NZD/CAD	0.8299	-0.2			PHP	55.31	-0.1	NZX 50	11,829	-0.4	1.3	Australian Futures			
NZ TWI	71.62	-0.2						VIX Index	13.98	-8.1	-43.6	3 year bond	96.42	0.00	
Interest Rates											10 year bond			95.98	-0.04
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	4.48	3.79	USD	4.16	0.06	15-May-26	4.67	0.00	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.35	3.95	4.26	AUD	3.95	-0.01	15-Apr-27	4.48	0.00	BKBM 3-mth	5.65	0.00		
NZD	5.50	5.65	4.87	4.36	NZD	4.60	0.00	15-May-28	4.40	0.00	1 year	5.40	0.00		
EUR	4.00	3.93	3.14	2.59	GER	2.33	0.03	20-Apr-29	4.39	0.00	2 year	4.87	-0.00		
GBP	5.25	5.32	4.46	3.67	GBP	3.95	-0.03	15-May-30	4.41	0.00	3 year	4.56	-0.01		
JPY	-0.01	-0.03	0.25	0.88	JPY	0.77	0.01	15-May-31	4.44	0.00	5 year	4.32	-0.00		
CAD	5.00	5.31	4.48	3.72	CAD	3.41	0.06	15-May-32	4.50	0.00	7 year	4.30	-0.01		
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer								NZ Inflation-Indexed Bonds			10 year			4.36	-0.01
Rates are as of: NZT 06:57								Sep-30			2.31	0.00	15 year	4.47	-0.01
Source: Bloomberg								Sep-35			2.62	0.00			
								Sep-40			2.80	0.00			
								15-May-34			4.60	0.00			
								15-May-37			4.74	0.01			
								15-May-41			4.83	0.02			
								15-May-51			4.81	0.02			
								15-May-54			4.83	0.02			

NZD exchange rates

13/03/2024 6:57 am		Prev. NY close
USD	0.6148	0.6170
GBP	0.4809	0.4815
AUD	0.9315	0.9329
EUR	0.5630	0.5647
JPY	90.85	90.67
CAD	0.8299	0.8319
CHF	0.5401	0.5414
DKK	4.1975	4.2106
FJD	1.3775	1.3840
HKD	4.8101	4.8260
INR	50.89	51.07
NOK	6.4764	6.4520
PKR	171.68	172.32
PHP	34.01	34.17
PGK	2.3148	2.3152
SEK	6.2960	6.3198
SGD	0.8193	0.8209
CNY	4.4151	4.4309
THB	21.87	21.83
TOP	1.4261	1.4487
VUV	73.92	74.21
WST	1.6683	1.6681
XPF	67.45	67.72
ZAR	11.4759	11.5251



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.06	0.33
3 Months	-0.05	0.50
6 Months	-2.19	-0.88
9 Months	-5.08	-3.08
1 Year	-8.78	-5.78

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.21	-8.63
3 Months	-25.50	-24.24
6 Months	-50.84	-47.46
9 Months	-72.01	-66.87
1 Year	-90.02	-82.72

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