

# Research Markets Today

14 March 2024

## Events Round-Up

NZ: Food prices (y/y%), Feb: 2.1 vs 4.0 prev.  
 UK: Industrial production (m/m%), Jan: -0.2 vs. 0.0 exp.  
 UK: GDP (m/m%), Jan: 0.2 vs. 0.2 exp.  
 EC: Industrial production (m/m%), Jan: -3.2 vs. -1.8 exp.

## Good Morning

Global asset markets were confined to narrow ranges in the absence of first-tier economic data or other catalysts. The S&P was little changed in early afternoon trade and is consolidating near record highs. European stocks edged higher to a new all-time peak while the Hang Seng managed to build upon the 3% rally from the previous session, indicating an improved sentiment towards Chinese equities. US treasury yields moved higher ahead of 30-year supply while currency markets were broadly subdued. Oil prices rose after Ukraine carried out drone strikes on refineries in Russia.

The UK economy expanded 0.2% in January, which was in line with expectations and follows a technical recession in the second half of 2023. Both services and construction gained offsetting a drop in industrial production. Gilt yields rose across the curve and expectations for Bank of England easing were trimmed marginally. There is about a 40% chance of a 25bps cut priced by June and close to 70bps of easing priced by the end of 2024.

Expectations the Bank of Japan will exit negative interest rate policy (NIRP) at its meeting next week, gained further support, after it was reported Toyota will meet union wage demands in full. BOJ Governor Ueda has outlined wages are a key input to decide if it is appropriate to exit NIRP. Nikkei has reported this morning the BOJ will discuss exiting NIRP next week. 2-year JGBs were stable near 0.2%, the highest level in more than 10 years.

US treasury yields drifted higher ahead of the US\$22 billion 30-year auction. The market was cautious after the 10-year auction tailed by a basis point yesterday following the CPI data. In any case, the 30-year supply attracted decent demand with bid-cover the highest since June. 2-year treasury yields are up 2bps at 4.61% while 10-year yields are 3bps higher at 4.18%.

Currency markets were broadly stable with the dollar index a touch weaker despite the move higher in treasury yields. The yen has been sensitive to expectations about a change in BOJ monetary policy and gained following the Nikkei headlines. NZD/USD was little changed in offshore trade in the absence of independent catalysts.

NZ fixed interest markets ended the local session yesterday higher in yield reflecting offshore moves. 10-year NZGB yields increased 4bps to 4.64%. NZGBs continued to underperform swaps with 10-year swap spreads approaching the lows of the year near -25bps.

We refined our Q1 inflation forecast after the release of selected price indices for February. Our forecast for the March quarter has increased to 0.8%, from 0.6%, taking the annual rate to 4.2% in Q1. This is above the RBNZ's forecasts of 0.4% for the quarter and 3.8% annual rate.

New Zealand Debt Management (NZDM) will offer NZ\$500 million of nominal NZGBs in the weekly tender today split across 15 May 2028 (\$275m) and 15 May 2032 (\$225m). In a departure from recent practice, there will be no long bond offered. This is likely related to the recent May-2054 syndication and the lack of indicated demand from market participants into this part of the curve.

Australian 3 and 10-year bond futures are ~4bps higher in yield overnight, suggesting an upwards bias for NZ yields on the open.

It is a quiet day ahead from a data perspective. The only release of note is monthly NZ migration numbers which are prone to frequent and large revisions.

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## Coming Up

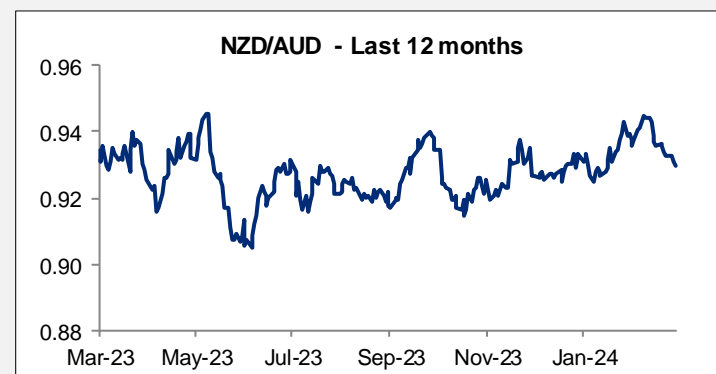
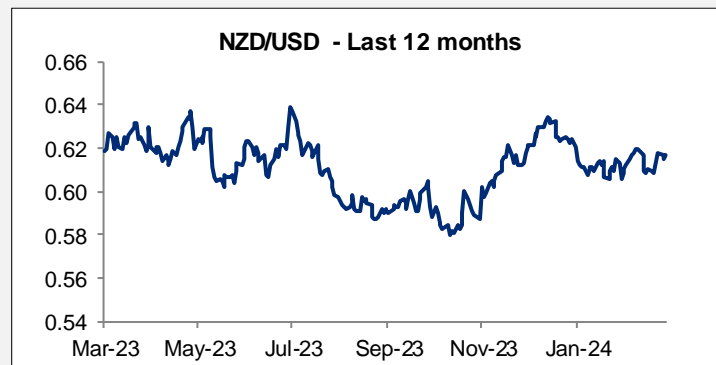
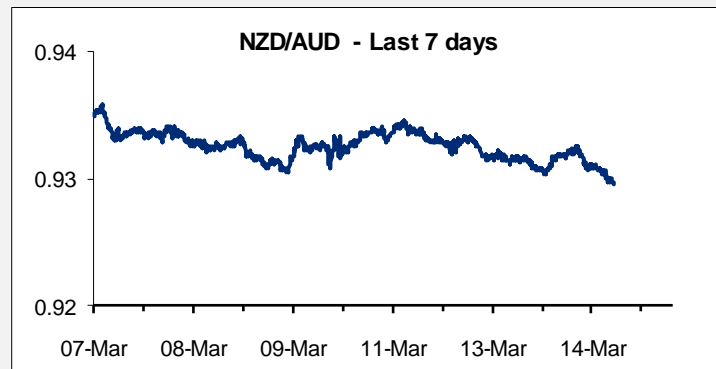
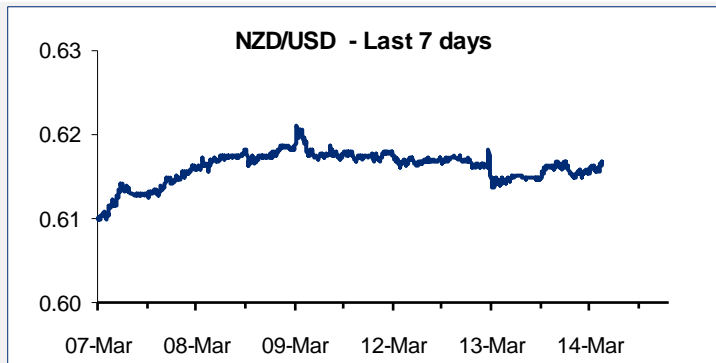
		Period	Cons.	Prev.	NZT
NZ	Net Migration SA	Jan		7260	10:45

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	0.6167	+0.3	0.6149	0.6170	CHF	0.8770	-0.0	S&P 500	5,177	+0.0	34.3	Oil (Brent)	83.83	+2.3	
AUD	0.6634	+0.4	0.6604	0.6635	SEK	10.208	-0.3	Dow	39,143	+0.3	23.0	Oil (WTI)	79.52	+2.5	
EUR	1.0961	+0.3	1.0920	1.0964	NOK	10.463	-0.6	Nasdaq	16,215	-0.3	44.9	Gold	2180.9	+0.7	
GBP	1.2810	+0.1	1.2775	1.2811	HKD	7.823	-0.0	Stoxx 50	5,001	+0.3	22.1	HRC steel	790.0	-1.3	
JPY	147.57	-0.1	147.46	148.05	CNY	7.188	+0.1	FTSE	7,772	+0.3	3.0	CRB	278.3	+0.1	
CAD	1.3464	-0.2			SGD	1.331	-0.1	DAX	17,961	-0.0	20.1	Wheat Chic.	547.0	-0.2	
NZD/AUD	0.9296	-0.2			IDR	15,575	-0.1	CAC 40	8,138	+0.6	16.1	Sugar	21.93	+0.2	
NZD/EUR	0.5626	-0.0			THB	35.59	-0.5	Nikkei	38,696	-0.3	42.1	Cotton	94.84	-0.5	
NZD/GBP	0.4814	+0.1			KRW	1,314	+0.3	Shanghai	3,044	-0.4	-6.2	Coffee	182.6	-1.8	
NZD/JPY	91.01	+0.2			TWD	31.47	+0.2	ASX 200	7,729	+0.2	10.3	WM powder	3110	+0.0	
NZD/CAD	0.8303	+0.1			PHP	55.39	+0.1	NZX 50	11,809	-0.2	1.8	<b>Australian Futures</b>			
NZ TWI	71.75	+0.2						VIX Index	13.79	-0.4	-48.0	3 year bond	96.35	-0.06	
<b>Interest Rates</b>													10 year bond	95.94	-0.05
	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	5.59	4.50	3.80	USD	4.18	0.03	15-May-26	4.71	0.04	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.35	3.96	4.29	AUD	4.02	0.07	15-Apr-27	4.53	0.04	BKBM 3-mth	5.64	-0.01		
NZD	5.50	5.64	4.89	4.38	NZD	4.64	0.04	15-May-28	4.44	0.05	1 year	5.42	0.02		
EUR	4.00	3.93	3.17	2.62	GER	2.37	0.04	20-Apr-29	4.43	0.04	2 year	4.89	0.02		
GBP	5.25	5.32	4.50	3.72	GBP	4.02	0.08	15-May-30	4.45	0.04	3 year	4.58	0.02		
JPY	0.00	-0.03	0.26	0.88	JPY	0.77	-0.00	15-May-31	4.49	0.04	5 year	4.34	0.02		
CAD	5.00	5.31	4.49	3.73	CAD	3.41	0.02	15-May-32	4.54	0.05	7 year	4.32	0.02		
								14-Apr-33	4.59	0.04	10 year	4.38	0.02		
								15-May-34	4.64	0.04	15 year	4.49	0.02		
								15-May-37	4.79	0.05					
								15-May-41	4.88	0.05					
								15-May-51	4.86	0.05					
								15-May-54	4.89	0.05					
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer					<b>NZ Inflation-Indexed Bonds</b>										
Rates are as of: NZT 06:43					Sep-30	2.33	0.02								
Source: Bloomberg					Sep-35	2.64	0.02								
					Sep-40	2.82	0.02								

**NZD exchange rates**

14/03/2024	6:43 am	Prev. NY close
USD	0.6167	0.6151
GBP	0.4814	0.4808
AUD	0.9296	0.9311
EUR	0.5626	0.5629
JPY	91.01	90.84
CAD	0.8303	0.8298
CHF	0.5408	0.5396
DKK	4.1957	4.1976
FJD	1.3827	1.3816
HKD	4.8247	4.8122
INR	51.10	50.91
NOK	6.4527	6.4735
PKR	172.21	171.79
PHP	34.17	34.03
PGK	2.3219	2.3159
SEK	6.2955	6.2968
SGD	0.8210	0.8195
CNY	4.4325	4.4180
THB	22.04	21.88
TOP	1.4322	1.4308
VUV	74.14	74.02
WST	1.6741	1.6691
XPF	67.54	67.47
ZAR	11.4358	11.4838



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.00	0.31
3 Months	-0.10	0.44
6 Months	-2.38	-1.17
9 Months	-5.44	-3.45
1 Year	-9.30	-6.30

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.72	-8.12
3 Months	-25.66	-24.42
6 Months	-50.47	-47.28
9 Months	-72.13	-66.86
1 Year	-90.81	-83.57

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