

# Research Markets Today

15 February 2024

## Events Round-Up

NZ: REINZ house sales (y/y%), Jan: 4.9 vs. 14.1 prev.

NZ: Card spending (m/m%), Jan: 2.0 vs. -0.6 prev.

NZ: Food prices (y/y%), Jan: 4.0 vs. 6.7 prev.

UK: CPI (y/y%), Jan: 4.0 vs. 4.1 exp.

UK: CPI core (y/y%), Jan: 5.1 vs. 5.2 exp.

EC: GDP (q/q%), Q4: 0.0 vs 0.0 exp.

EC: Industrial production (m/m%), Dec: 2.6 vs. -0.2 exp.

## Good Morning

Global equity and bond markets rebounded from the losses triggered by the surprisingly strong US inflation data. The S&P gained 0.4% after falling more than 1% in the previous session. Treasury yields retraced from the highest level this year and the US dollar was softer against major currencies. Oil prices fell after US crude inventories increased by the most since November.

UK inflation data was softer than expected. CPI rose 4% y/y in January compared with the median estimate of 4.1%. Core inflation rose 5.1% y/y, which was also below economists' expectations, and unchanged from the previous month. The market increased expectations for rate cuts by the Bank of England. There is close to 80bps of easing priced for 2024. The market has unwound the move, following the stronger than expected wages data, earlier in the week. The pound fell and gilts rallied with 10y yields falling 10bps to 4.04%.

The first revision to Eurozone Q4 GDP was unchanged, confirming that the economy had stagnated at the end of last year, but had narrowly avoided falling into recession. Growth is forecast to remain subdued in coming quarters. Eurozone industrial production increased unexpectedly in December. However, this was attributed to a large increase in Ireland which can be volatile due to the activities of large multinational companies based there.

Chicago Fed President, Austan Goolsbee, said it's clear that inflation is coming down looking at the past 6 months of core PCE data. He also said that slightly higher inflation for a few months would still be consistent with progress back to the Fed's 2% target. Markets are pricing close to 100bps of easing this year compared with 75bps projected by Fed policy makers.

US treasury yields retraced some of the previous days sell off. The move lower in yields was led by the front end of the curve. 2-year yields decreased 10bps to 4.57% with the sharp move lower in gilt yields supporting broader bond market sentiment. 10-year treasury yields fell 6bps to 4.26%.

In currency markets the US Dollar was generally softer against G10 currencies aligned with the move lower in treasury yields. NZD/USD edged higher towards 0.6090. The pound underperformed following the CPI data with EUR/GBP increasing close to 0.5%.

Japanese currency officials commented with USD/JPY trading back above 150. Masato Kanda, a vice finance minister for international affairs, warned that authorities stand ready to act if there are rapid moves. He also added that a 10 yen move over a one-month period is rapid. This is a relatively large move in USD/JPY and the market has become accustomed to verbal intervention from Japanese officials. There was limited market reaction.

NZ yields ended the local session higher across the curve, albeit well below the day's highs. Monthly price indicators for January were on the softer side and suggest some modest downside to our inflation estimates for Q1. NZ 2-year swap rates ended up 4bps at 5.22% outperforming on a cross market basis. The curve steepened modestly with 10-year rates up 6bps to 4.76%.

NZDM have announced the panel for the syndication of the 15 May 2054 nominal bond. The timing of the announcement makes it likely the deal will launch next week subject to market conditions with a Tuesday / Wednesday window looking favourable. NZDM expects to issue at least NZ\$2.0 billion and the transaction will be capped at NZ\$4.0 billion.

There will be NZ\$500 million of nominal NZGBs offered today at the weekly tender split across 15 Apr 2027 (\$275m), 14 Apr 2033 (\$150m) and 15 May 2051 (\$75m). In addition, inflation indexed bonds will be tendered for the fourth consecutive week although only in small size. Australian 3 and 10-year bond futures are ~5bps lower in yield overnight, pointing to a downward bias for NZ yields on the open.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Net Migration SA	Dec		2740	10:45
JN	GDP SA (q/q%)	4Q P	0.2	-0.7	12:50
AU	Employment Change (k)	Jan	25	-65.1	13:30
AU	Unemployment Rate	Jan	4	3.9	13:30
UK	Industrial Production (m/m%)	Dec	-0.1	0.3	20:00
UK	GDP (q/q%)	4Q P	-0.1	-0.1	20:00
US	Empire Manufacturing	Feb	-13.8	-43.7	02:30
US	Retail Sales Advance (m/m%)	Jan	-0.2	0.6	02:30
US	Retail Sales Ex Auto and Gas	Jan	0.2	0.6	02:30
US	Phil. Fed Business Outlook	Feb	-8.2	-10.6	02:30
US	Initial Jobless Claims	10 Feb	220	218	02:30
US	Industrial Production (m/m%)	Jan	0.2	0.1	03:15
US	NAHB Housing Market Index	Feb	46	44	04:00

Source: Bloomberg, BNZ

Currencies						Equities					Commodities			
Indicative overnight ranges (*)					Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High		Last	% Day		% Year		Last	Net Day		
NZD	0.6086	+0.4	0.6070	0.6090	CHF	0.8851	-0.2	S&P 500	4,973	+0.4	20.2	Oil (Brent)	81.77	-1.3
AUD	0.6489	+0.6	0.6467	0.6489	SEK	10.525	-0.6	Dow	38,285	+0.0	12.3	Oil (WTI)	76.92	-1.3
EUR	1.0731	+0.2	1.0695	1.0735	NOK	10.591	-0.8	Nasdaq	15,759	+0.6	31.8	Gold	1985.5	-0.4
GBP	1.2562	-0.2	1.2536	1.2611	HKD	7.819	-0.0	Stoxx 50	4,709	+0.4	11.1	HRC steel	926.0	-0.8
JPY	150.42	-0.3	150.35	150.75	CNY	7.194	-0.0	FTSE	7,568	+0.7	-4.8	CRB	273.0	-0.1
CAD	1.3552	-0.1			SGD	1.348	-0.2	DAX	16,945	+0.4	10.2	Wheat Chic.	579.8	-2.8
NZD/AUD	0.9379	-0.1			IDR	15,604	+0.1	CAC 40	7,677	+0.7	6.4	Sugar	23.42	+0.5
NZD/EUR	0.5671	+0.2			THB	36.12	+0.2	Nikkei	37,703	-0.7	37.1	Cotton	94.28	+3.0
NZD/GBP	0.4845	+0.7			KRW	1,335	+0.5	Shanghai	2,866	+1.3	-12.4	Coffee	182.9	-2.8
NZD/JPY	91.55	+0.2			TWD	31.36	+0.1	ASX 200	7,548	-0.7	2.7	WM powder	3390	-0.7
NZD/CAD	0.8248	+0.3			PHP	56.11	+0.3	NZX 50	11,661	-0.7	-3.5	Australian Futures		
NZ TWI	71.56	+0.3						VIX Index	14.88	-6.1	-21.3	3 year bond	96.15	-0.10
Interest Rates														
	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	4.45	3.90	USD	4.25	-0.06	15-May-26	5.05	0.05	BKBM 1-mth	5.63	0.00	
AUD	4.35	4.35	4.10	4.48	AUD	4.27	0.09	15-Apr-27	4.90	0.05	BKBM 3-mth	5.73	-0.00	
NZD	5.50	5.73	5.22	4.76	NZD	4.94	0.07	15-May-28	4.81	0.06	1 year	5.72	0.05	
EUR	4.00	3.90	3.12	2.70	GER	2.34	-0.06	20-Apr-29	4.79	0.07	2 year	5.22	0.04	
GBP	5.25	5.33	4.50	3.82	GBP	4.04	-0.11	15-May-30	4.81	0.07	3 year	4.93	0.05	
JPY	-0.01	-0.03	0.28	0.94	JPY	0.75	0.03	15-May-31	4.85	0.07	5 year	4.73	0.06	
CAD	5.00	5.36	4.63	3.88	CAD	3.55	-0.10	15-May-32	4.88	0.07	7 year	4.71	0.06	
					NZ Inflation-Indexed Bonds			14-Apr-33	4.91	0.07	10 year	4.76	0.06	
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  Rates are as of: NZT 06:47 Source: Bloomberg					Sep-30	2.61	0.07	15-May-34	4.94	0.07	15 year	4.87	0.06	
					Sep-35	2.92	0.07	15-May-37	5.09	0.07				
					Sep-40	3.12	0.07	15-May-41	5.19	0.06				
								15-May-51	5.17	0.06				

**NZD exchange rates**

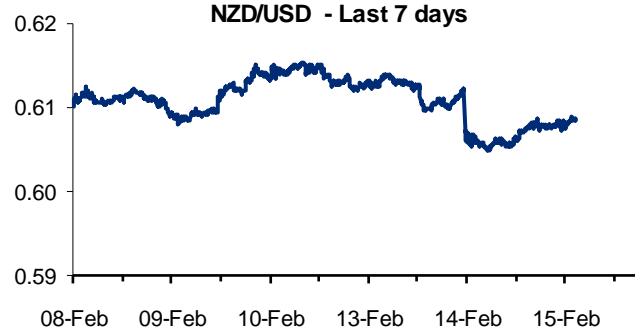
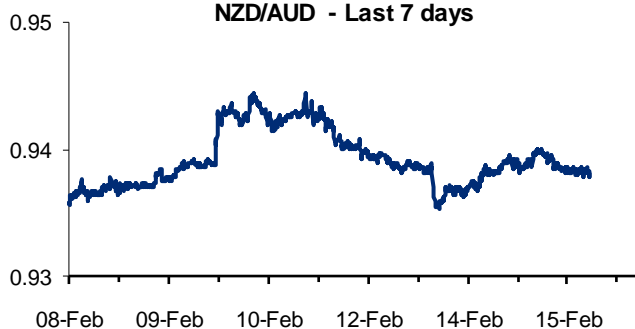
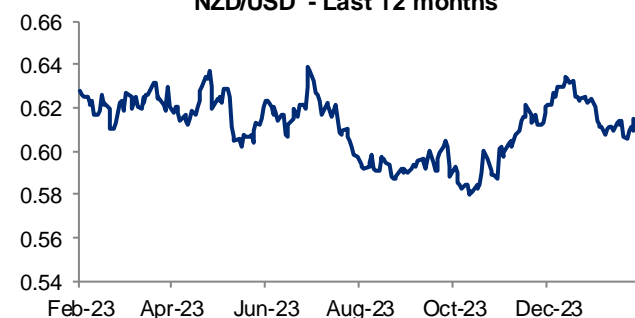
15/02/2024	6:47 am	Prev. NY close
USD	0.6086	0.6061
GBP	0.4845	0.4813
AUD	0.9379	0.9393
EUR	0.5671	0.5660
JPY	91.55	91.40
CAD	0.8248	0.8221
CHF	0.5387	0.5377
DKK	4.2275	4.2189
FJD	1.3735	1.3772
HKD	4.7585	4.7393
INR	50.53	50.31
NOK	6.4459	6.4713
PKR	170.01	169.30
PHP	34.15	33.91
PGK	2.2837	2.2734
SEK	6.4052	6.4152
SGD	0.8205	0.8189
CNY	4.3780	4.3619
THB	21.99	21.65
TOP	1.4163	1.4188
VUV	74.07	73.53
WST	1.6648	1.6558
XPF	67.70	67.40
ZAR	11.6013	11.5925

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.17	0.10
3 Months	-1.17	-0.64
6 Months	-6.93	-5.49
9 Months	-16.21	-14.21
1 Year	-27.07	-24.07

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.16	-8.42
3 Months	-27.34	-26.09
6 Months	-57.38	-53.73
9 Months	-85.73	-80.51
1 Year	-110.49	-102.97

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

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