

Research Markets Today

15 January 2024

Events Round-Up

CH: CPI (y/y%), Dec: -0.3 vs. -0.4 exp.
 CH: PPI (y/y%), Dec: -2.7 vs. -2.6 exp.
 UK: GDP (m/m%), Nov: 0.3 vs. 0.2 exp.
 UK: Industrial production (m/m%), Nov: 0.3 vs. 0.3 exp.
 US: PPI (y/y%), Dec: 1.0 vs. 1.3 exp.
 US: PPI ex food and energy (y/y%), Dec: 1.8 vs. 2.0 exp

Good Morning

US equities closed little changed at the end of last week. After a brief dip at the start of January, risk sensitive assets have remained well supported with the S&P closing on Friday just below its record reached back in January 2022 while investment grade credit spreads are trading at the tightest level in close to 2 years. Softer than expected US producer prices contributed to lower treasury yields on Friday night and currency markets were stable.

There was limited market reaction to news that US and its allies had launched airstrikes on Houthi targets in response to attacks on commercial ships in the Red Sea. Although the strikes will raise fears of a wider escalation in the region, the initial move higher in Brent crude prices towards US\$81 per barrel subsequently retraced back inside the US\$75-80 range that has persisted this year.

US producer prices decreased 0.1% in December compared with expectations for a 0.1% increase. This took the annual rate for headline and core prices to 1% and 1.8% respectively. The market priced additional easing by the Federal Reserve in response to the data. Fed funds futures imply a close to 80% chance of a 25bps rate cut in March and about 170bps of easing by the end of the year.

US treasury yields moved lower following the PPI data led by the front end. 2-year yields ended the session down 10bps at 4.14% which is the lowest level since May. 2-year treasuries peaked at 4.48% in the aftermath of the December labour market report earlier in the month and have since traded lower. 10-year treasuries were lower in yield – down 3bps to 3.94% - contributing to a steeper yield curve. Curve steepening has been a persistent theme in the new year with the US 2y/10y slope increasing 20bps to -18bps and retesting levels from October last year.

Consumer prices in China fell for the third consecutive month in December. CPI fell 0.3% on an annualised basis which was marginally above expectations for a drop of 0.4%. Producer prices fell 2.7% y/y which was the 15th month of falls. The economy has experienced deflationary pressures amid weak domestic demand.

Separately aggregate financing data in China revealed demand for credit from households and businesses remains weak. The pullback in the property sector has reduced demand for mortgages while subdued business confidence has impacted corporate borrowing. The Hang Seng China Enterprises Index is down nearly 5% in 2024 underperforming relative to global equity benchmarks. The Peoples Bank of China is expected to cut its medium-term lending rate by 10bps to 2.4% today.

The US Dollar dipped briefly following the PPI data but was broadly unchanged into the end of last week continuing the rangebound price action since the recovery from 5-month lows at the start of January. Lower front-end treasury yields didn't have a lasting impact for the dollar although the yen outperformed within the G10 space.

NZD/USD spiked up towards 0.6280 in offshore trade Friday but retraced equally quickly. The kiwi has been rangebound in recent sessions since slipping from above 0.6300 at the start of 2024 aligned with recovery in the US dollar. The NZD has lost ground against the EUR and GBP in January and has gained against the JPY and AUD.

NZ government bond yields ended the local session on Friday lower in yield reflecting moves in global markets in the absence of domestic drivers. 10-year bond yields fell 9bps to 4.54% with a largely parallel move across the curve. NZ 10-year yields have moved higher, and the curve has steepened since the beginning of January, aligned with moves in global markets.

The economic calendar is quiet in the day ahead and the US holiday will impact market activity.

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Coming Up

		Period	Cons.	Prev.	NZT
CH	1-Yr Medium-Term Lending Rate %	Jan	2.4	2.5	14:20
EC	Industrial Production SA (m/m %)	Nov	-0.7		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	% Day	% Year		Last	Net Day
NZD	0.6241	+0.1	0.6230	0.6278	CHF	0.8523	+0.0	S&P 500	4,784	+0.1	20.1	Oil (Brent)	78.29	+1.2
AUD	0.6686	-0.0	0.6678	0.6729	SEK	10.281	+0.2	Dow	37,593	-0.3	10.0	Oil (WTI)	72.68	+1.0
EUR	1.0951	-0.2	1.0936	1.0987	NOK	10.282	-0.3	Nasdaq	14,973	+0.0	36.1	Gold	2051.6	+1.7
GBP	1.2752	-0.1	1.2720	1.2786	HKD	7.821	+0.0	Stoxx 50	4,480	+0.8	8.6	HRC steel	1076.0	+0.7
JPY	144.91	-0.3	144.36	145.57	CNY	7.168	+0.0	FTSE	7,625	+0.6	-2.2	CRB	264.4	+0.1
CAD	1.3407	+0.1			SGD	1.331	+0.1	DAX	16,705	+1.0	10.9	Wheat Chic.	610.0	-1.0
NZD/AUD	0.9334	+0.1			IDR	15,550	+0.0	CAC 40	7,465	+1.0	7.0	Sugar	21.61	-0.7
NZD/EUR	0.5699	+0.3			THB	34.92	-0.5	Nikkei	35,577	+1.5	36.2	Cotton	81.31	-0.2
NZD/GBP	0.4894	+0.2			KRW	1,314	+0.1	Shanghai	2,882	-0.2	-9.8	Coffee	180.0	-2.2
NZD/JPY	90.44	-0.2			TWD	31.13	+0.1	ASX 200	7,498	-0.1	2.3	WM powder	3300	-0.5
NZD/CAD	0.8367	+0.2			PHP	55.93	-0.1	NZX 50	11,858	+0.5	0.9	Australian Futures		
NZ TWI	72.38	+0.1						VIX Index	12.70	+2.1	-32.6	3 year bond	96.35	0.06
Interest Rates												10 year bond 95.91 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	3.98	3.55	USD	3.94	-0.03	15-May-26	4.51	-0.10	BKBM 1-mth	5.58	0.00	
AUD	4.35	4.36	3.93	4.34	AUD	4.07	-0.03	15-Apr-27	4.37	-0.10	BKBM 3-mth	5.64	-0.00	
NZD	5.50	5.64	4.74	4.37	NZD	4.54	-0.10	15-May-28	4.30	-0.10	1 year	5.31	-0.05	
EUR	4.00	3.94	2.89	2.59	GER	2.18	-0.05	20-Apr-29	4.29	-0.10	2 year	4.74	-0.12	
GBP	5.25	5.32	4.14	3.54	GBP	3.79	-0.05	15-May-31	4.44	-0.10	3 year	4.45	-0.12	
JPY	-0.01	-0.03	0.14	0.75	JPY	0.61	0.00	15-May-32	4.49	-0.10	5 year	4.26	-0.10	
CAD	5.00	5.42	4.19	3.54	CAD	3.22	-0.02	14-Apr-33	4.54	-0.10	7 year	4.27	-0.09	
						NZ Inflation-Indexed Bonds		15-May-34	4.61	-0.10	10 year	4.37	-0.08	
						Sep-30	2.31	-0.07	15-May-41	4.89	-0.09	15 year	4.50	-0.07
						Sep-35	2.55	-0.07	15-May-51	4.87	-0.08			
						Sep-40	2.79	-0.07						
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates at NY close														
Source: Bloomberg														

NZD exchange rates

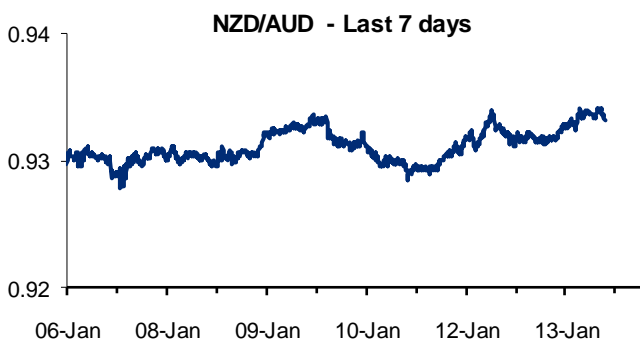
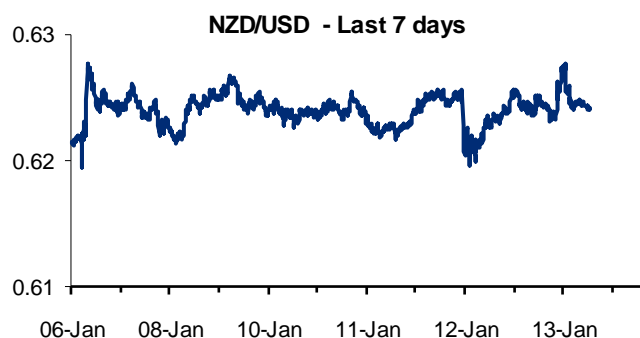
13/01/2024	NY close	Prev. NY close
USD	0.6241	0.6233
GBP	0.4894	0.4885
AUD	0.9334	0.9320
EUR	0.5699	0.5681
JPY	90.44	90.56
CAD	0.8367	0.8349
CHF	0.5319	0.5311
DKK	4.2499	4.2361
FJD	1.3959	1.3966
HKD	4.8810	4.8732
INR	51.75	51.75
NOK	6.4171	6.4254
PKR	175.44	175.23
PHP	34.91	34.89
PGK	2.3192	2.3077
SEK	6.4162	6.3960
SGD	0.8309	0.8295
CNY	4.4732	4.4670
THB	21.88	21.85
TOP	1.4443	1.4614
VUV	74.52	74.43
WST	1.6816	1.6751
XPF	68.00	67.64
ZAR	11.6418	11.6197

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.25	0.75
3 Months	0.23	1.04
6 Months	-5.37	-2.37
9 Months	-14.73	-9.73
1 Year	-25.04	-16.75

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.90	-7.86
3 Months	-25.30	-23.50
6 Months	-48.92	-43.02
9 Months	-68.23	-58.42
1 Year	-83.43	-67.38



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