

Research Markets Today

16 February 2024

Events Round-Up

JN: GDP (q/q%), Q4: -0.1 vs. 0.2 exp.
 AU: Employment change (k), Jan: 0 vs. 25 exp.
 AU: Unemployment rate (%), Jan: 4.1 vs. 4.0 exp.
 UK: Industrial production (m/m%), Dec: 0.6 vs. -0.1 exp.
 UK: GDP (q/q%), Q4: -0.3 vs. -0.1 exp.
 US: Empire manufacturing, Feb: xx vs. -13.8 exp.
 US: Retail sales (m/m%), Jan: -0.8 vs. -0.2 exp.
 US: Retail sales ex autos & gas, Jan: -0.5 vs. 0.2 exp.
 US: Philly Fed business outlook, Feb: 5.2 vs. -8.2 exp.
 US: Initial jobless claims, wk to 10 Feb: 212 vs. 220 exp.
 US: Industrial production (m/m%), Jan: -0.1 vs. 0.2 exp.
 US: NAHB housing market index, Feb: 48 vs. 46 exp.

Good Morning

Overnight, US Treasury yields declined after much weaker than expected US retail sales data for January, but the move was fully retracted and the 10-year rate is now back at 4.23%, little changed from the NZ close. The USD shows a broadly based fall for the day, helping the NZD push back over 0.61. GBP and JPY have showed smaller gains against the USD, not helped by weaker than expected GDP data which put the UK and Japan's economy both in technical recession for 2H23.

There has been plenty of economic data released over the past 24 hours to digest. US economic data were mixed, with a notable downside miss in the top-tier retail sales report and softer industrial production, but better than expected data across the other second-tier releases.

US headline retail sales fell 0.8% m/m in January and the ex-autos and gas measure fell 0.5% m/m, with downward revisions to November and December thrown in as well. Falls were broadly based and, while seasonal factors might have played a role, it could also signal some cracks in the economy. Industrial production fell 0.1% m/m, with manufacturing production falling a greater 0.5% m/m.

On the positive side relative to expectations, the highly volatile Empire manufacturing survey jumped from -43.7 to -12.5 and the Philly Fed business outlook index recovered from -10.6 to +5.2. Lower mortgage rates over recent months boosted homebuilders' sentiment, with the

NAHB housing market index up for a third successive month to 48. Initial jobless claims fell 8k last week to 212k, although the four-week moving average continued to push higher.

The US 10-year Treasury yield fell 5bps following the retail sales report, from 4.23% to as low as 4.18%, before fully retracting that move. The 2-year rate traced out a similar pattern. The data overall haven't perturbed market expectations for the Fed, with the first full easing still priced for June, with little net change. US equities show only modest moves, with the S&P500 currently up 0.2% on the day.

The USD was broadly weaker heading into the retail sales report, further retracting the strong bounce post-CPI earlier in the week. Thereafter, the USD followed the move in Treasury yields, lurching further down before rebounding a little. GBP and JPY are weaker than other majors overnight and over the past 24 hours, not helped by weaker than expected Q4 GDP data in both cases, putting them in technical recession over the second half of 2023.

UK Q4 GDP fell 0.3% in Q4 following the 0.1% contraction in Q3. Earlier this week, BoE Governor Bailey played down the significance of a technical recession, pointing to signs of an upturn in surveys for early 2024. Overnight, two BoE MPC members – who sit on the hawkish side of the spectrum – gave speeches. Greene wants to see further evidence that inflation persistence is less embedded than previously feared before considering to vote for a rate cut, noting rapid wage growth and services inflation. Mann noted slowing wage growth but it was still too high relative to the CPI target, while slowing services inflation had a long way to go. GBP shows a smaller gain against the USD compared to other majors, and sits at 1.2580.

Japan Q4 GDP data showed a surprising 0.1% q/q contraction following a 0.8% contraction in the prior quarter. Domestic demand components drove the weaker result and raised a question mark over the timing of the BoJ's abandonment of its negative short-term policy rate, even if, it seems, the strong lift in inflation can explain the retreat in consumer spending. Against a backdrop of a broadly weaker USD, USD/JPY has pushed lower and remains above 150, after a spike down overnight to 149.60 in the aftermath of the US retail sales report.

The EU revised down the GDP growth outlook for the region's economy for 2024 (to 0.8% from 1.2%) and 2025 (to 1.5% from 1.6%), saying that the EU economy had entered 2024 on a weaker footing than expected. Markets were perturbed by the update and the EUR has pushed higher to 1.0760.

The NZD pushed up through 0.6125 overnight but has since retreated to just over 0.61. The AUD sits just over 0.65, recovering the loss seen after a softer than expected Australian labour market report. The unemployment rate rose two-tenths to 4.1%, its highest level in two years. This triggered much lower Australian rates, with 3 and 10-year yields falling 6-8bps in the aftermath of the report. There has only been a small net move in the futures market overnight, with the 10-year rate currently 1-2bps higher in yield terms compared to the NZ close.

The NZDM weekly tender attracted strong demand, helped by NZGBs underperforming swaps heading into the event. Bid cover ratios were between 3-4 across the three lines of nominal bonds offered, signalling strong demand, a good signal ahead of next week's likely syndication of new 30-year bonds. By the close, NZ rates had ended up falling by even more than Australian rates, with a chunky 14bps fall in NZGB yields across the curve. The swaps curve showed a flattening bias, with the 2-year rate down 8bps to 5.15% and the 10-year rate down 14bps to 4.62%.

In the day ahead RBNZ Governor Orr will be speaking on the Monetary Policy Remit and 2% inflation target and it is uncertain if he will offer any useful soundbites on current monetary policy. NZ manufacturing PMI is released and it has been tracking well into contractionary territory of late. US PPI data tonight will help firm up PCE deflator estimates, following the positive CPI surprise earlier in the week. The UoM measure of long term inflation expectations will also be on the radar.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	RBNZ's Orr speaks				07:40
NZ	Manufacturing PMI	Jan		43.1	10:30
UK	Retail sales ex auto fuel (m/m%)	Jan	1.7	-3.3	20:00
US	Housing starts (k)	Jan	1458	1460	02:30
US	Building permits (k)	Jan	1514	1495	02:30
US	PPI ex food, energy (m/m%)	Jan	0.1	0.0	02:30
US	PPI ex food, energy (y/y%)	Jan	1.6	1.8	02:30
US	U. of Mich. consumer sentiment	Feb	80	79	04:00
US	U. of Mich. 5-10 yr inflation exps.	Feb	2.8	2.9	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		Last	% Day	% Year		Last	Net Day	
NZD	0.6103	+0.3	0.6082	0.6127	CHF	0.8806	-0.6	S&P 500	5,015	+0.3	20.9	Oil (Brent)	82.97	+1.7	
AUD	0.6509	+0.3	0.6486	0.6530	SEK	10.467	-0.6	Dow	38,627	+0.5	13.2	Oil (WTI)	78.16	+2.0	
EUR	1.0761	+0.3	1.0727	1.0785	NOK	10.549	-0.3	Nasdaq	15,851	-0.0	31.3	Gold	2005.8	+0.8	
GBP	1.2585	+0.2	1.2542	1.2597	HKD	7.819	+0.0	Stoxx 50	4,743	+0.7	10.8	HRC steel	929.0	+0.8	
JPY	150.10	-0.3	149.57	150.25	CNY	7.194	-0.0	FTSE	7,598	+0.4	-5.0	CRB	270.2	-1.0	
CAD	1.3490	-0.4			SGD	1.346	-0.1	DAX	17,047	+0.6	9.9	Wheat Chic.	569.0	-2.4	
NZD/AUD	0.9376	+0.0			IDR	15,623	+0.1	CAC 40	7,743	+0.9	6.1	Sugar	22.92	-1.9	
NZD/EUR	0.5671	-0.0			THB	36.09	-0.0	Nikkei	38,158	+1.2	37.8	Cotton	94.43	+1.0	
NZD/GBP	0.4849	+0.1			KRW	1,334	-0.1	Shanghai	2,866	+1.3	-12.4	Coffee	185.5	+1.5	
NZD/JPY	91.61	+0.0			TWD	31.43	+0.2	ASX 200	7,606	+0.8	2.6	WM powder	3380	-0.3	
NZD/CAD	0.8233	-0.1			PHP	56.03	-0.2	NZX 50	11,640	-0.2	-4.3	Australian Futures			
NZ TWI	71.67	+0.2						VIX Index	14.30	-0.6	-21.6	3 year bond	96.28	0.13	
Interest Rates											3 year bond			96.28	0.13
											10 year bond			95.83	0.06
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	4.46	3.89	USD	4.24	-0.01	15-May-26	4.92	-0.14	BKBM 1-mth	5.63	0.00		
AUD	4.35	4.35	4.04	4.43	AUD	4.14	-0.13	15-Apr-27	4.76	-0.14	BKBM 3-mth	5.74	0.01		
NZD	5.50	5.74	5.15	4.62	NZD	4.81	-0.14	15-May-28	4.67	-0.14	1 year	5.68	-0.04		
EUR	4.00	3.92	3.13	2.72	GER	2.36	0.02	20-Apr-29	4.65	-0.14	2 year	5.15	-0.08		
GBP	5.25	5.33	4.49	3.83	GBP	4.05	0.01	15-May-30	4.68	-0.14	3 year	4.84	-0.09		
JPY	-0.02	-0.03	0.26	0.91	JPY	0.73	-0.02	15-May-31	4.71	-0.14	5 year	4.62	-0.12		
CAD	5.00	5.36	4.64	3.89	CAD	3.54	-0.01	15-May-32	4.74	-0.14	7 year	4.59	-0.13		
							NZ Inflation-Indexed Bonds			10 year			4.62	-0.14	
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer Rates are as of: NZT 06:53 Source: Bloomberg							Sep-30	2.46	-0.15	15-May-34	4.81	-0.14	15 year	4.71	-0.16
							Sep-35	2.77	-0.15	15-May-37	4.95	-0.14			
							Sep-40	2.97	-0.15	15-May-41	5.05	-0.14			
									15-May-51	5.04	-0.14				

NZD exchange rates

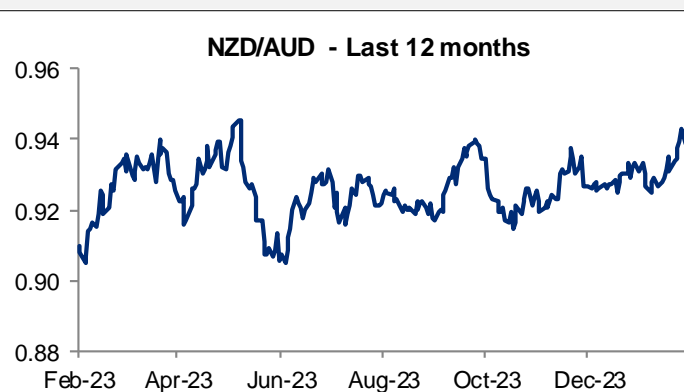
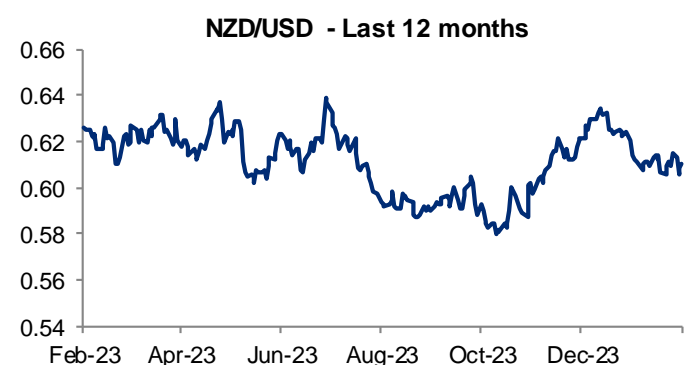
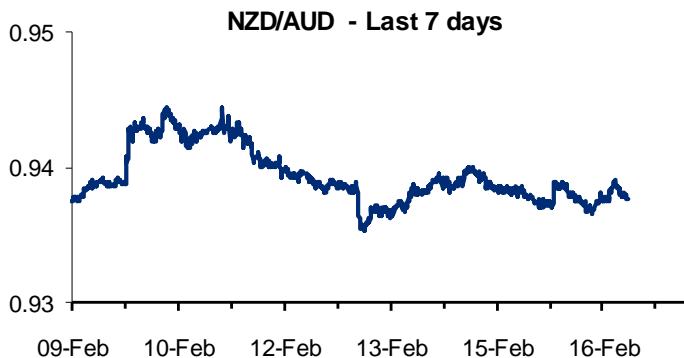
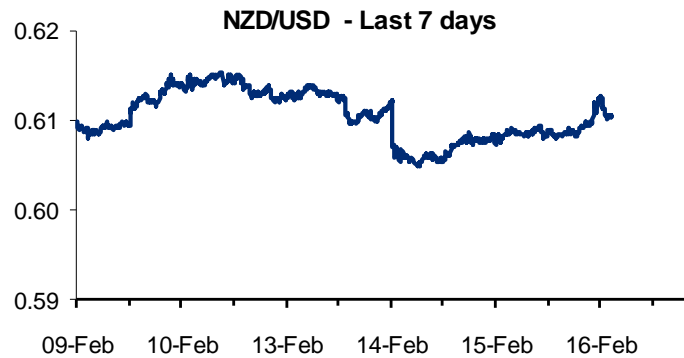
16/02/2024	6:53 am	Prev. NY close
USD	0.6103	0.6086
GBP	0.4849	0.4843
AUD	0.9376	0.9376
EUR	0.5671	0.5674
JPY	91.61	91.64
CAD	0.8233	0.8243
CHF	0.5374	0.5392
DKK	4.2283	4.2292
FJD	1.3811	1.3788
HKD	4.7722	4.7582
INR	50.68	50.53
NOK	6.4382	6.4424
PKR	170.53	170.01
PHP	34.20	34.15
PGK	2.2892	2.2845
SEK	6.3879	6.4072
SGD	0.8217	0.8206
CNY	4.3903	4.3799
THB	22.08	21.99
TOP	1.4193	1.4432
VUV	74.29	74.22
WST	1.6672	1.6620
XPF	67.79	67.71
ZAR	11.5799	11.5915

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.39	0.04
3 Months	-1.54	-0.91
6 Months	-7.13	-5.63
9 Months	-15.35	-13.36
1 Year	-25.25	-22.25

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.86	-7.94
3 Months	-27.94	-26.55
6 Months	-58.59	-54.84
9 Months	-86.42	-81.22
1 Year	-112.10	-104.59



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