

Research Markets Today

18 January 2024

Events Round-Up

NZ: Card spending total (m/m%), Dec: -0.6 vs. 0.8 exp.
 CH: GDP (y/y%), Q4: 5.2 vs. 5.3 exp.
 CH: Industrial production (y/y%), Dec: 6.8 vs. 6.7 exp.
 CH: Fixed assets investment (ann%), Dec: 3.0 vs. 2.9 exp.
 CH: Retail sales (y/y%), Dec: 7.4 vs. 8.0 exp.
 UK: CPI (y/y%), Dec: 4.0 vs. 3.8 exp.
 UK: CPI core (y/y%), Dec: 5.1 vs. 4.9 exp.
 US: Retail sales (m/m%), Dec: 0.6 vs. 0.4 exp.
 US: Retail sales ex auto, gas, Dec: 0.6 vs. 0.3 exp.
 US: Industrial production (m/m%), Dec: 0.1 vs. 0.0 exp.
 US: NAHB housing market index, Jan: 44 vs. 39 exp.

Good Morning

Global equities fell and bond yields moved higher as investors trimmed expectations for rate cuts by major central banks. Policy makers have continued to push back against near term easing and US economic data was stronger than expected. The soft tone in equity markets began in Asia yesterday amid concerns about the challenges facing the Chinese economy and expanded overnight as government bond yields moved higher. The US Dollar advanced.

US retail sales increased 0.6% m/m in December, beating consensus estimates for a 0.4% increase, which pointed to signs of consumer resilience and dented hopes of a near term rate cuts by the Fed. Separately, industrial production rose 0.1% m/m, slightly above economists estimates for a flat reading. Market pricing has lowered the chance of a 25bps rate cut at the March FOMC to close to 50%. This is down from 80% at the start of the week.

US treasury yields have moved steadily higher with 2-year yields up 15bps to 4.36%. The yield curve flattened as longer maturities lagged the move higher in the front end. 10-year yields increased 4bps to 4.10%.

Inflation in the UK picked up in December for the first time in 10 months raising questions about how soon the Bank of England (BOE) will start cutting interest rates. CPI increased 4.0% on annual basis, higher than the 3.8% consensus expectations and the 3.9% rise in November. Core inflation held steady at 5.1% y/y. The market reduced expectations for easing by the BOE and gilt yields moved

sharply higher. 10-year gilts increased 18bps to 3.38% which was the largest jump since February 2023.

Chinese economic data released yesterday was mixed and there were further falls in stocks as investors assessed the ongoing challenges facing the economy. GDP expanded 5.2% in 2023, marginally below consensus forecast of 5.3%, confirming the weak post-pandemic recovery given the low base for comparison.

The property slump is showing no signs of letting up. House prices fell for the seventh consecutive month in December which continues to weigh on consumer sentiment. The Hang Seng China Enterprises Index fell 4% yesterday extending losses this year to 10%. The index is approaching the multi-year lows reached in October 2022.

The US Dollar extended recent gains with the dollar index (DXY) reaching the highest level in more than a month. The DXY now rebounded more than 3% since the late-December lows. The pound outperformed within the G10 following the inflation data while the yen was relatively weak given its sensitivity to US treasury yields. NZD/USD slipped below 0.6100 which is the weakest level in 4 weeks amid the weak risk tone and stronger US Dollar. NZD/AUD was stable near 0.9330.

NZ government bond yields ended the local session yesterday marginally higher in yield. 10-year bond yields increased 2bps to 4.58%. The market largely looked past softer than expected electronic cards transactions data for December. Australian bond futures are ~10bp higher in yield since the local close yesterday suggesting an upward bias for NZGB yields on the open.

New Zealand Debt Management restarts tendering of government bonds today after its summer break. NZ\$500 million of nominal NZGBs are offered split across 15 May 2028 (\$270m), 14 Apr 2033 (\$175m) and 15 Apr 2037 (\$50m). In addition, NZ\$50 million of the Sep 2035 inflation indexed bonds will be offered.

In the day ahead, selected price indices for December are released which make up about 45% of the NZ CPI basket and will enable some fine-tuning of forecasts ahead of the Q4 release next Wednesday. Australian labour market data will also be a focus.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	REINZ House Sales YoY	Dec		12.2	09:00
US	Fed's Williams Speaks at NY Fed Event				09:00
NZ	Food Prices MoM	Dec		-0.2	10:45
AU	Employment Change	Dec	15	61.5	13:30
AU	Unemployment Rate	Dec	3.9	3.9	13:30
US	Fed's Bostic Speaks on Economic Outlook				01:30
US	Housing Starts	Dec	1425	1560	02:30
US	Building Permits	Dec	1477	1460	02:30
US	Initial Jobless Claims	Jan 13	205	202	02:30
EC	ECB's Lagarde speaks at WEF panel in Davos				04:15
US	Fed's Bostic Speaks on Economic Outlook				05:30

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	0.6099	-0.7	0.6088	0.6127	CHF	0.8662	+0.5	S&P 500	4,730	-0.7	18.5	Oil (Brent)	77.30	-1.3
AUD	0.6535	-0.7	0.6525	0.6566	SEK	10.469	+0.3	Dow	37,239	-0.3	9.8	Oil (WTI)	71.83	-0.8
EUR	1.0863	-0.1	1.0845	1.0884	NOK	10.531	+0.6	Nasdaq	14,784	-1.1	33.3	Gold	2007.0	-1.1
GBP	1.2674	+0.3	1.2597	1.2696	HKD	7.822	-0.1	Stoxx 50	4,403	-1.0	5.5	HRC steel	1070.0	-0.4
JPY	148.25	+0.7	147.57	148.52	CNY	7.196	+0.1	FTSE	7,446	-1.5	-5.2	CRB	264.3	-0.0
CAD	1.3528	+0.3			SGD	1.346	+0.3	DAX	16,432	-0.8	8.2	Wheat Chic.	595.8	-0.2
NZD/AUD	0.9333	+0.1			IDR	15,643	+0.3	CAC 40	7,319	-1.1	3.4	Sugar	22.39	-0.7
NZD/EUR	0.5614	-0.5			THB	35.62	+0.6	Nikkei	35,478	-0.4	32.4	Cotton	81.61	+0.3
NZD/GBP	0.4812	-0.9			KRW	1,345	+1.0	Shanghai	2,834	-2.1	-12.1	Coffee	179.5	-3.1
NZD/JPY	90.42	+0.1			TWD	31.62	+0.6	ASX 200	7,393	-0.3	0.0	WM powder	3355	+1.1
NZD/CAD	0.8251	-0.4			PHP	55.90	+0.1	NZX 50	11,767	-0.0	-1.3	Australian Futures		
NZ TWI	71.44	-0.3						VIX Index	15.00	+8.4	-22.5	3 year bond	96.24	-0.06
10 year bond 95.70 -0.08														
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	5.56	4.20	3.71	USD	4.09 0.04	15-May-26	4.52	0.02	BKBM 1-mth	5.58	0.00		
AUD	4.35	4.35	4.11	4.52	AUD	4.21 0.06	15-Apr-27	4.38	0.02	BKBM 3-mth	5.64	-0.00		
NZD	5.50	5.64	4.70	4.40	NZD	4.57 0.02	15-May-28	4.32	0.03	1 year	5.30	0.00		
EUR	4.00	3.89	3.00	2.69	GER	2.32 0.06	20-Apr-29	4.31	0.02	2 year	4.70	-0.01		
GBP	5.25	5.31	4.34	3.75	GBP	3.99 0.19	15-May-31	4.47	0.02	3 year	4.42	-0.00		
JPY	-0.01	-0.03	0.17	0.80	JPY	0.62 0.02	15-May-32	4.53	0.02	5 year	4.26	0.02		
CAD	5.00	5.42	4.45	3.75	CAD	3.44 0.08	14-Apr-33	4.57	0.02	7 year	4.29	0.02		
						NZ Inflation-Indexed Bonds		15-May-34	4.64	0.02	10 year	4.40	0.03	
* These are indicative ranges from 5pm NZT;						Sep-30	2.39	0.05	15-May-41	4.92	0.02	15 year	4.55	0.03
please confirm rates with your BNZ dealer						Sep-35	2.69	0.07	15-May-51	4.91	0.02			
Rates are as of: NZT 06:46						Sep-40	2.92	0.07						
Source: Bloomberg														

NZD exchange rates

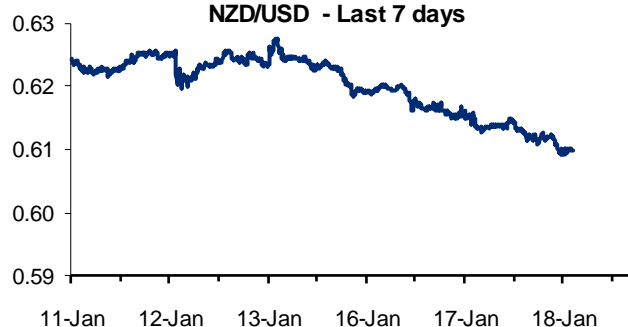
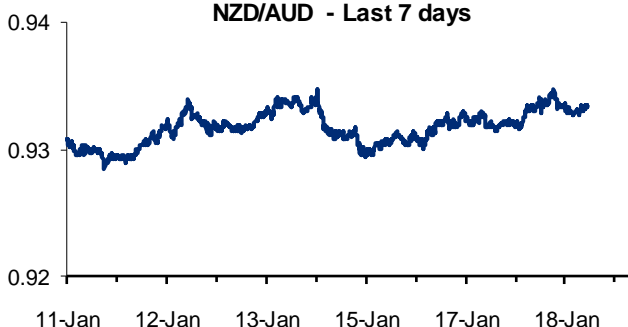
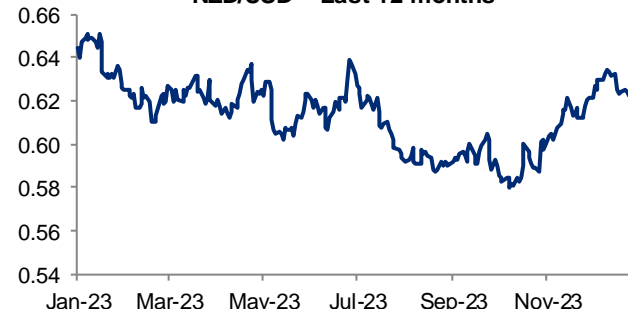
18/01/2024	6:46 am	Prev. NY close
USD	0.6099	0.6139
GBP	0.4812	0.4858
AUD	0.9333	0.9324
EUR	0.5614	0.5645
JPY	90.42	90.36
CAD	0.8251	0.8285
CHF	0.5283	0.5289
DKK	4.1871	4.2102
FJD	1.3718	1.3833
HKD	4.7705	4.8046
INR	50.70	51.00
NOK	6.4229	6.4283
PKR	170.85	172.08
PHP	34.11	34.28
PGK	2.2783	2.2873
SEK	6.3853	6.4052
SGD	0.8209	0.8242
CNY	4.3890	4.4125
THB	21.65	21.71
TOP	1.4151	1.4360
VUV	73.35	73.47
WST	1.6519	1.6520
XPF	66.72	67.20
ZAR	11.6473	11.6464

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.11	0.48
3 Months	0.26	0.76
6 Months	-2.18	-0.97
9 Months	-7.35	-5.35
1 Year	-13.50	-10.50

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.69	-8.88
3 Months	-25.91	-24.71
6 Months	-47.07	-43.80
9 Months	-62.52	-57.32
1 Year	-72.82	-64.55

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

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