

Research Markets Today

18 March 2024

Events Round-Up

NZ: Manufacturing PMI, Feb: 49.3vs. 47.3 prev.
 CH: 1yr med.-term lending rate, Mar: 2.5 vs. 2.5 exp.
 US: Empire manufacturing, Mar: -20.9 vs. -7 exp.
 US: Industrial production (m/m%), Feb: 0.1 vs. 0.0 exp.
 US: UoM consumer sentiment, Mar: 76.5 vs. 77.2 exp.
 US: UoM 5-10 yr inflation expect, Mar: 2.9 vs. 2.9 exp.

Good Morning

Global equity markets struggled to gain traction as investors look ahead to key central bank meetings this week. The S&P fell 0.7% while major European indices were little changed. In Asia, the Hang Seng fell nearly 1.5% following weak house price data from China and the PBOC's decision to leave rates on hold and withdraw liquidity. US treasuries ended modestly higher in yield and the US dollar was stable.

University of Michigan consumer sentiment was slightly softer than median expectations but is still consistent with resilient consumption growth. Separately, consumers five-to-10-year inflation expectations were stable at 2.9%. This level remains higher than before the pandemic, but can be expected to retrace, as actual inflation falls. There was a large drop in the Empire manufacturing survey, but this is a volatile series and only has a small geographical coverage. More regional surveys are required to provide a better gauge of the national backdrop for manufacturing.

The biggest union group in Japan announced larger than anticipated annual wage rises, which increased expectations that the Bank of Japan (BOJ) will raise rates, for the first time since 2007 on Tuesday. A Nikkei article suggested the BOJ is going to raise rates to 0-0.1% and end curve control, which theoretically caps 10y JGB yields at 1.00%. The market response was limited with the yen ending weaker in the offshore session.

The PBOC held its one-year medium-term lending facility rate (MLF) at 2.50%, which was in line with the consensus, although a minority had anticipated a 10bps cut. The MLF has been maintained at current levels since a 15bps cut in August last year and is likely aimed at keeping the yuan stable. The housing market could do with support from lower rates – prices fell in major Chinese cities in February – as the property downturn deepened.

US treasury yields extended higher on Friday. 2-year yields ended up 3bps at 4.73% while 10-year yields are 2bps higher at 4.31%. Yields are more than 20bps above the level at the start of last week, amid concerns about sticky inflation, which could impact the amount of easing that policy makers will signal at the upcoming FOMC. Market pricing for the first 25bps Fed rate cut has been pushed back to July.

The US dollar was little changed. Amongst the majors, EUR/USD was stable while USD/JPY moved higher. Expectations of an imminent BOJ policy adjustment seems to be well priced for now. CFTC data revealed speculative yen short positions were reduced last week albeit while remaining at elevated levels. NZD/USD extended below 0.6100 before stabilising ahead of the March lows near 0.6070. NZD/AUD reached the lowest level in 6-weeks below 0.9300.

NZ yields moved higher in the local session on Friday reflecting moves in offshore markets. 10-year government bonds ended 5bps higher at 4.70% and the curve steepened modestly. Australian 3-year and 10-year bond futures are ~1bp higher in yield since the local close on Friday suggesting limited directional bias for NZ yields on the open.

The NZ Performance of Services Index (PSI) is the only domestic data of note today. The manufacturing index (PMI), improved in February, though remained marginally in contractionary territory. China monthly activity data covering retail sales, industrial production and investment will be closely monitored. PMIs surprised to the topside however property remains a major drag, raising doubts about policymaker's ambitious 5% growth target.

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Coming Up

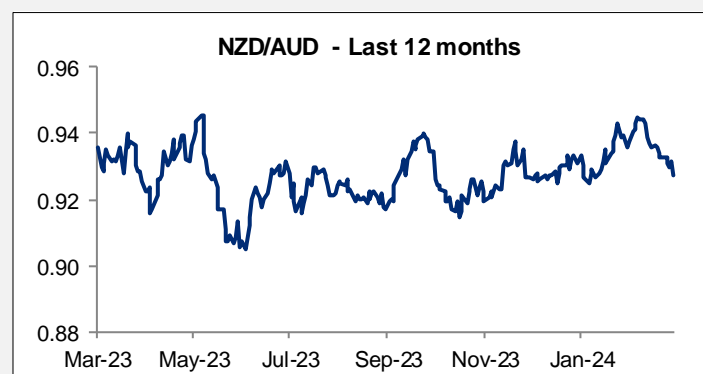
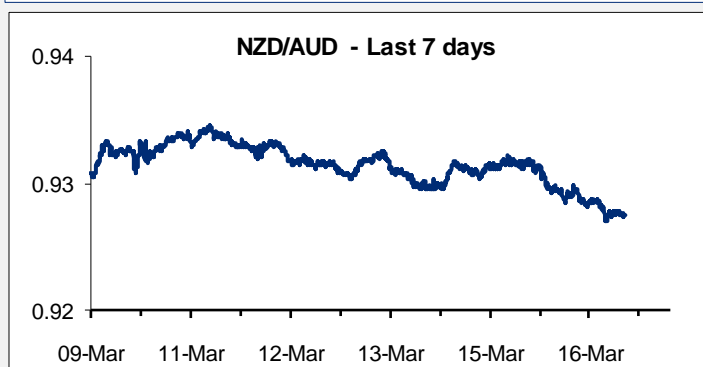
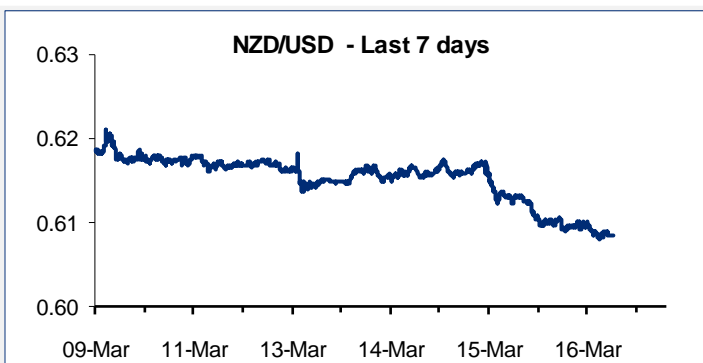
		Period	Cons.	Prev.	NZT
NZ	Performance Services Index	Feb		52.1	10:30
CH	Retail sales (YTD, y/y%)	Feb	5	7.2	15:00
CH	Industrial Production (YTD y/y%)	Feb	5.2		15:00
CH	Property Investment (YTD y/y%)	Feb	-8	-9.6	15:00
CH	Fixed Assets Ex Rural (YTD y/y%)	Feb	3.2	3	15:00
US	NAHB Housing Market Index	Mar	48	48	03:00

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	Net Day			
NZD	0.6085	-0.8	0.6081	0.6107	CHF	0.8838	+0.0	S&P 500	5,117	-0.6	30.7	Oil (Brent)	85.34	-0.1
AUD	0.6561	-0.3	0.6552	0.6574	SEK	10.361	+0.2	Dow	38,715	-0.5	21.5	Oil (WTI)	81.04	-0.3
EUR	1.0888	+0.1	1.0876	1.0900	NOK	10.619	+0.6	Nasdaq	15,973	-1.0	37.3	Gold	2161.5	-0.4
GBP	1.2735	-0.1	1.2725	1.2759	HKD	7.822	-0.0	Stoxx 50	4,986	-0.1	22.7	HRC steel	792.0	-0.1
JPY	149.07	+0.5	148.04	149.17	CNY	7.197	+0.0	FTSE	7,727	-0.2	5.3	CRB	284.6	+0.6
CAD	1.3542	+0.1			SGD	1.338	+0.1	DAX	17,937	-0.0	21.5	Wheat Chic.	544.0	-0.4
NZD/AUD	0.9274	-0.4			IDR	15,599	+0.1	CAC 40	8,164	+0.0	17.9	Sugar	22.12	+1.6
NZD/EUR	0.5589	-0.8			THB	35.90	+0.3	Nikkei	38,708	-0.3	41.6	Cotton	93.94	+0.5
NZD/GBP	0.4778	-0.6			KRW	1,330	+0.9	Shanghai	3,055	+0.5	-6.0	Coffee	183.0	-0.5
NZD/JPY	90.70	-0.2			TWD	31.63	+0.4	ASX 200	7,670	-0.6	9.7	WM powder	3135	+0.3
NZD/CAD	0.8240	-0.7			PHP	55.52	+0.2	NZX 50	11,767	-0.4	0.4	Australian Futures		
NZ TWI	71.16	-0.6						VIX Index	14.41	+0.1	-43.5	3 year bond	96.29	-0.07
Interest Rates												10 year bond 95.84 -0.01		
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	4.62	3.93	USD	4.31	0.02	15-May-26	4.74	0.03	BKBM 1-mth	5.59	0.00	
AUD	4.35	4.34	4.04	4.39	AUD	4.13	0.08	15-Apr-27	4.56	0.03	BKBM 3-mth	5.65	0.00	
NZD	5.50	5.65	4.97	4.47	NZD	4.71	0.05	15-May-28	4.48	0.03	1 year	5.45	0.02	
EUR	4.00	3.93	3.24	2.70	GER	2.44	0.02	20-Apr-29	4.47	0.04	2 year	4.97	0.04	
GBP	5.25	5.33	4.57	3.81	GBP	4.10	0.01	15-May-30	4.50	0.04	3 year	4.65	0.04	
JPY	-0.01	-0.03	0.25	0.89	JPY	0.79	0.01	15-May-31	4.55	0.05	5 year	4.42	0.05	
CAD	5.00	5.31	4.60	3.87	CAD	3.54	0.01	15-May-32	4.60	0.05	7 year	4.40	0.05	
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer Rates at NY close Source: Bloomberg						NZ Inflation-Indexed Bonds		14-Apr-33	4.65	0.05	10 year	4.47	0.05	
						Sep-30	2.37	0.03	15-May-34	4.71	0.05	15 year	4.59	0.05
						Sep-35	2.68	0.03	15-May-37	4.85	0.05			
						Sep-40	2.87	0.04	15-May-41	4.95	0.05			
							15-May-51	4.93	0.05					
							15-May-54	4.96	0.05					

NZD exchange rates

16/03/2024	NY close	Prev. NY close
USD	0.6085	0.6131
GBP	0.4778	0.4807
AUD	0.9274	0.9316
EUR	0.5589	0.5634
JPY	90.70	90.94
CAD	0.8240	0.8297
CHF	0.5378	0.5418
DKK	4.1672	4.2006
FJD	1.3643	1.3830
HKD	4.7599	4.7961
INR	50.44	50.78
NOK	6.4616	6.4719
PKR	169.62	171.21
PHP	33.79	33.97
PGK	2.2919	2.3092
SEK	6.3049	6.3388
SGD	0.8139	0.8191
CNY	4.3794	4.4108
THB	21.77	21.84
TOP	1.4095	1.4338
VUV	73.27	73.82
WST	1.6443	1.6553
XPF	66.58	67.09
ZAR	11.4236	11.4858



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.05	0.32
3 Months	-0.55	0.68
6 Months	-3.29	0.62
9 Months	-6.69	-0.49
1 Year	-8.53	-3.47

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.37	-7.50
3 Months	-25.34	-22.99
6 Months	-51.74	-44.35
9 Months	-74.31	-62.73
1 Year	-90.17	-80.08

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