

# Research Markets Today

19 January 2024

## Events Round-Up

NZ: REINZ house sales (y/y%), Dec: 14.1 vs. 12.2 prev.  
 NZ: Food prices (y/y%), Dec: 4.8 vs. 6.0 prev.  
 AU: Employment change (k), Dec: -65 vs. 15 exp.  
 AU: Unemployment rate (%), Dec: 3.9 vs. 3.9 exp.  
 US: Housing starts (k), Dec: 1460 vs. 1425 exp.  
 US: Building permits (k), Dec: 1495 vs. 1477 exp.  
 US: Philly Fed business outlook, Jan: -10.6 vs. -6.5 exp.  
 US: Initial jobless claims (k), wk to Jan 13: 187 vs. 205 exp.

## Good Morning

The US-year rate has pushed up to a fresh high for the year of 4.15% following a surprising fall in jobless claims data. Equity markets are up despite the higher rates backdrop. Currency movements have been modest, with the NZD languishing around the 0.61 mark and down on most crosses.

The US 10-year rate rose to its highest level this year of 4.15%, up 6bps from the NZ close, after a surprising fall in jobless claims data. The selloff this year means that the 10-year rate has now fully retraced the fall in rates after the Fed's dovish pivot mid-December. Not so for the 2-year rate, which has shown a smaller increase in yield, consistent with some curve steepening. Atlanta Fed President Bostic, a voter this year, reiterated his view that he doesn't see the Fed cutting rates until the third quarter, but he was open to moving earlier if inflation falls "well faster" than he expects. Still, the market sees the prospect of a March rate cut as a reasonable bet, with 14bps priced, little changed on the day, with two CPI prints to come ahead of that.

Initial jobless claims fell 16k to 187k last week, the lowest level in 16 months. The figures can be volatile around this time of the year due to the holiday season and bad weather conditions over part of the country could also be a factor, but at face value the data play to ongoing labour market resilience. Both housing starts and building permits were stronger than expected and add to a picture of improved levels of housing market activity ahead, following the fall in mortgage rates over recent months.

US equities haven't been spooked by the higher rates backdrop, supported by the more robust economic

backdrop and the tech sector leading the charge, helped by a positive outlook by Taiwan Semiconductor Manufacturing Co. The S&P500 currently shows a modest gain and the Nasdaq index is up nearly 1%.

Currency movements have been modest. The NZD is little changed from this time yesterday, hanging in there around the 0.61 mark. The NZD is slightly weaker on most crosses apart from NZD/EUR, which is flat at 0.5620. NZD/AUD has fallen to close to 0.93 while NZD/GBP is approaching 0.48. Australian employment fell sharply by 65k in December, but this followed an upwardly revised 73k gain in November. Market reaction was fleeting to this volatility in employment, with the in-line and steady unemployment rate of 3.9% providing a better indication of labour market conditions.

In geopolitical news, the FT reported on a plan to end the Israel-Hamas war viz, "Arab states are working on an initiative to secure a ceasefire and the release of hostages in Gaza as part of a broader plan that could offer Israel a normalisation of relations if it agrees to "irreversible" steps towards the creation of a Palestinian state". Part of the deal would be Saudi Arabia formalising ties with Israel. Elsewhere, tension between Iran and Pakistan have escalated, with Pakistan retaliating with attacks on Iranian militant bases following Iranian attacks on Pakistan.

Oil prices show gains of around 1-2%, with the IEA saying that global oil markets are likely to remain "reasonably well-supplied". A supply surplus from next quarter through to the end of the year could develop, with world oil demand growth set to decelerate significantly, while supply increases outside of OPEC increase. Brent crude has a USD79 handle and has remained in a tight trading range so far this year.

NZ rates moved higher yesterday, largely in response to global forces, although a weak bond tender saw larger increases for NZGBs compared to swaps, with a curve flattening bias. NZGB yields were up 10bps out to 5-year maturities, with a smaller 6bps gain for the 10-year rate. NZDM's first bond tender of the year wasn't flash, with low bid-cover ratios (1.2-1.4) for the shorter dated lines on offer (2028s and 2033s) but better bid-cover (3.2) for the 2037s. The weak tender comes ahead of what will be a deluge of supply over coming months as NZDM completes the required funding task for the current fiscal year.

REINZ data showed a fall in the house price index of 1.1% m/m in December, breaking a run of six positive months, although seasonally adjusted figures show a flatter profile over recent months. The housing market continues to trade cautiously against a backdrop of high mortgage rates but with strong net migration providing an offsetting force. The new monthly price indicators published by Statistics NZ remained consistent with a disinflationary theme. Annual food price inflation fell to a two-year low of 4.8% y/y. Our CPI pick for Q4 – for data released next week – remained at 0.5% q/q, well below the RBNZ's 0.8% estimate.

In the day ahead the NZ manufacturing PMI will be released, which has been tracking well into sub-50 contractionary territory of late. There will be interest in the net migration figures, even if they are ropery and subject to significant revisions. Global releases include Japan CPI, UK and Canadian retail sales and in the US the University of Michigan consumer sentiment and inflation expectations.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Manufacturing PMI	Dec	46.7	10:30	
NZ	Net migration	Nov	7810	10:45	
JN	CPI (y/y%)	Dec	2.5	2.8	12:30
JN	CPI ex fr. food, energy (y/y%)	Dec	3.7	3.8	12:30
UK	Retail sales ex auto fuel (m/m%)	Dec	-0.7	1.3	20:00
CA	Retail sales ex auto (m/m%)	Nov	-0.1	0.6	02:30
US	U. of Mich. consumer sentiment	Jan	70.1	69.7	04:00
US	U. of Mich. 5-10y inflation exps.	Jan	3.0	2.9	04:00
US	Existing home sales (m/m%)	Dec	0.1	0.8	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	0.6101	-0.2	0.6095	0.6128	CHF	0.8688	+0.5	S&P 500	4,751	+0.2	79.13	+1.6	
AUD	0.6558	+0.1	0.6544	0.6575	SEK	10.501	+0.5	Dow	37,206	-0.2	74.14	+2.2	
EUR	1.0860	-0.2	1.0847	1.0907	NOK	10.542	+0.3	Nasdaq	14,963	+0.7	2017.8	+0.6	
GBP	1.2683	+0.1	1.2648	1.2704	HKD	7.821	-0.0	Stoxx 50	4,453	+1.1	1070.0	+0.0	
JPY	148.22	+0.0	147.66	148.30	CNY	7.196	+0.0	FTSE	7,459	+0.2	263.0	-0.5	
CAD	1.3506	-0.0			SGD	1.345	+0.0	DAX	16,567	+0.8	596.0	+0.3	
NZD/AUD	0.9303	-0.4			IDR	15,624	-0.1	CAC 40	7,401	+1.1	22.96	+2.7	
NZD/EUR	0.5618	-0.1			THB	35.66	+0.1	Nikkei	35,466	-0.0	82.43	+0.9	
NZD/GBP	0.4810	-0.3			KRW	1,339	-0.4	Shanghai	2,846	+0.4	179.9	+0.4	
NZD/JPY	90.43	-0.2			TWD	31.58	-0.1	ASX 200	7,346	-0.6	WM powder	3390	+1.0
NZD/CAD	0.8240	-0.3			PHP	55.83	-0.1	NZX 50	11,687	-0.7			
NZ TWI	71.38	-0.3						VIX Index	14.59	-1.4	-28.3		
Interest Rates											Australian Futures		
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	4.19	3.77	USD	4.15	0.04	15-May-26	4.62	0.10	BKBM 1-mth	5.58	0.00
AUD	4.35	4.35	4.10	4.54	AUD	4.26	0.05	15-Apr-27	4.48	0.10	BKBM 3-mth	5.64	0.00
NZD	5.50	5.64	4.76	4.44	NZD	4.70	0.06	15-May-28	4.42	0.10	1 year	5.34	0.04
EUR	4.00	3.90	3.02	2.73	GER	2.35	0.03	20-Apr-29	4.41	0.10	2 year	4.76	0.06
GBP	5.25	5.33	4.30	3.70	GBP	3.93	-0.06	15-May-31	4.56	0.09	3 year	4.48	0.06
JPY	-0.01	-0.03	0.19	0.84	JPY	0.65	0.03	15-May-32	4.62	0.09	5 year	4.32	0.05
CAD	5.00	5.42	4.47	3.81	CAD	3.49	0.05	14-Apr-33	4.65	0.08	7 year	4.34	0.05
					NZ Inflation-Indexed Bonds			15-May-34	4.70	0.06	10 year	4.44	0.03
					Sep-30	2.44	0.05	15-May-41	4.96	0.04	15 year	4.58	0.03
					Sep-35	2.74	0.05	15-May-51	4.95	0.04			
					Sep-40	2.97	0.05						
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer													
Rates are as of: NZT 06:55													
Source: Bloomberg													

**NZD exchange rates**

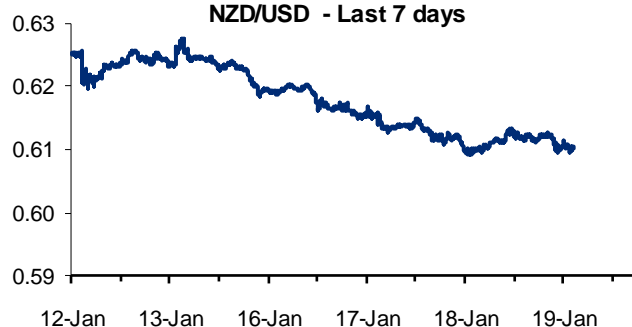
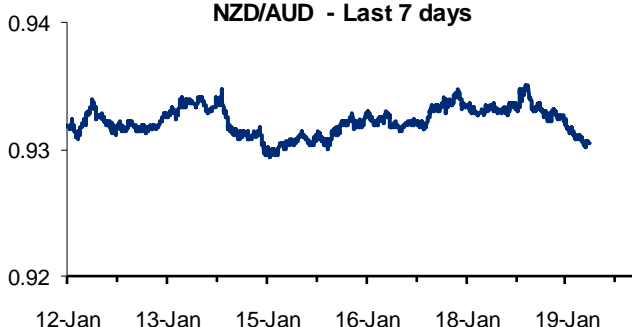
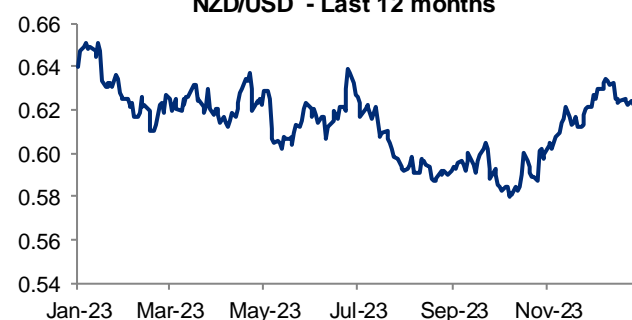
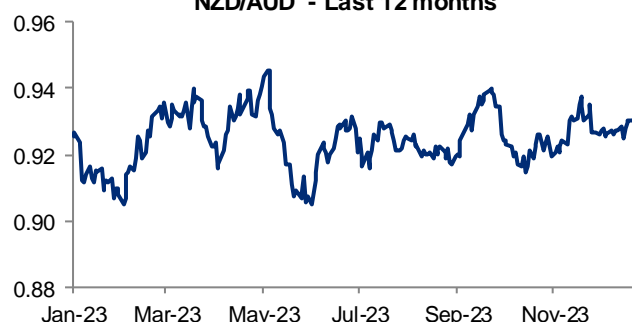
19/01/2024	6:56 am	Prev. NY close
USD	0.6101	0.6117
GBP	0.4810	0.4826
AUD	0.9303	0.9336
EUR	0.5618	0.5621
JPY	90.43	90.63
CAD	0.8240	0.8262
CHF	0.5301	0.5288
DKK	4.1890	4.1921
FJD	1.3750	1.3852
HKD	4.7717	4.7842
INR	50.71	50.85
NOK	6.4317	6.4295
PKR	170.82	171.35
PHP	34.06	34.21
PGK	2.2790	2.2774
SEK	6.4065	6.3901
SGD	0.8207	0.8226
CNY	4.3905	4.4020
THB	21.72	21.72
TOP	1.4202	1.4356
VUV	73.74	73.73
WST	1.6548	1.6574
XPF	66.75	66.96
ZAR	11.5717	11.6567

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.06	0.42
3 Months	0.05	0.55
6 Months	-3.44	-2.25
9 Months	-9.70	-7.58
1 Year	-16.73	-13.51

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.24	-8.47
3 Months	-25.50	-24.34
6 Months	-47.44	-44.28
9 Months	-63.57	-58.28
1 Year	-75.88	-67.33

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

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