

# Research Markets Today

19 March 2024

## Events Round-Up

NZ: Performance of services Index, Feb: 53.0 vs. 52.2 prev.  
 CH: Retail sales (YTD, y/y%), Feb: 5.5 vs. 5.6 exp.  
 CH: Fixed assets invest. (YTD y/y%), Feb: 4.2 vs. 3.2 exp.  
 CH: Industrial production, (YTD, y/y%), Feb: 7.0 vs. 5.3 exp.  
 US: NAHB housing market index, Mar: 51 vs. 48 exp.

## Good Morning

It has been a typically quiet start to the week, with investors keeping their powder dry ahead of a busy week. Currency markets barely have a pulse, with tiny net movements, while US rates have pushed up to flirt with fresh highs for the year. US equities are up 0.8%.

Policy meetings by the BoJ and Fed are the headline acts this week, with meetings from the RBA and BoE also thrown into the mix. Ahead of these key events, the market is off to a quiet start and the general theme has been an extension of recent price trends.

On that note, US Treasury yields continue to push higher, as the market reluctantly accepts that the extent of any Fed easing this year is likely to be less than previously thought, not helped by some recently uncooperative inflation data and the US economy not showing signs of enough cracks to worry about at this stage. The first rate cut is not priced until July, which seems like an eternity compared to expectations at the start of the year which had priced in four rate cuts by then.

Overnight, the US 2-year Treasury yield broke above the February high, reaching 4.75% while the 10-year rate remains just shy of setting a fresh peak, currently sitting at 4.34%. Net rate movements have been small, up 1-4bps across the curve. The economic calendar has been light. US homebuilder confidence on the NAHB index continued to push higher, rising 3pts to an eight-month high of 51, the uplift explainable by the fall in mortgage rates from their October peak, with the small lift this year yet to impact sentiment.

Currency markets have been quiet, with minuscule net movements, the key majors we follow less than 0.2% away from last week's close against the USD, albeit all slightly weaker as the USD continues to nudge higher. The NZD has traded about a 20pip range and is currently near its low for

the day of 0.6080 after a brief look at 0.6100. The AUD sits at 0.6555 and NZD/AUD is flat at 0.9275.

Yesterday, the slightly positive reaction by the NZD, AUD and yuan to generally better than expected China monthly activity indicators proved temporary. China industrial production and investment for the first two months of the year were much stronger than expected, at 7.0% y/y and 4.2% y/y respectively, the latter weighed down by a 9% fall in property development. The data suggested some traction of stimulatory policy in building economic growth momentum, although there was mild disappointment that consumers aren't stepping up, with retail sales of 5.5% just shy of market expectations.

US equity markets are having another good session, with the S&P500 currently up 0.8% and gains broadly based, with all sectors contributing. Oil prices are up over 1½%, building on last week's 4% climb to reach fresh four-month high, with Brent crude piercing the USD86.50 mark. More drone strikes over the weekend aimed at Russian oil refineries hit the mark and have helped support prices, alongside the more positive Chinese activity data.

Yesterday, the domestic rates market was quiet with little net movement in swap rates, although by the close the 10-year rate was down 1bp to 4.46%. Lower Australian yields supported the NZGB market, seeing rates down 1-3bps across the curve with a slight steepening bias. Lack of interest in the long end of the curve sees NZDM not looking to tender any bonds beyond the 10-year mark for a second consecutive week, with new supply focused at the 7-9 year mark.

In the day ahead, the BoJ's policy update will be the headline act, where there has been heightened speculation of the central bank ending its negative interest rate policy, even if by only a small 10bps step. The only question is whether the BoJ ends the negative rate regime today or waits until next month. At a minimum, the BoJ is expected to officially end its yield curve control regime and stop ETF purchases. Market reaction to the policy pivot on the day should be contained to the extent that the BoJ will likely be cautious about the policy outlook and is unlikely to feed expectations that this is the start of a long series of rate hikes if it does kick off a tightening cycle. The Bank is likely to take a pedestrian approach toward normalising policy.

The RBA’s policy statement should pass with little market reaction, with the central bank on hold and unlikely to be cutting rates anytime soon. The Statement should reflect that tone. Tonight sees the release of Canadian CPI and US building permits and housing starts.

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### Coming Up

		Period	Cons.	Prev.	NZT
AU	RBA cash rate target (%)	Mar	4.35	4.35	16:30
JN	BoJ 10-Yr policy rate (%)	Mar	-0.1	-0.1	
JN	BOJ 10-Yr Yield Target	Mar	0	0	
GE	ZEW survey expectations	Mar	20.2	19.9	23:00
US	Building permits (k)	Feb	1500	1470	01:30
US	Housing starts (k)	Feb	1430	1331	01:30
CA	CPI (y/y%)	Feb	3.1	2.9	01:30
CA	CPI core (avg trim, median y/y%)	Feb	3.35	3.35	01:30

Source: Bloomberg, BNZ

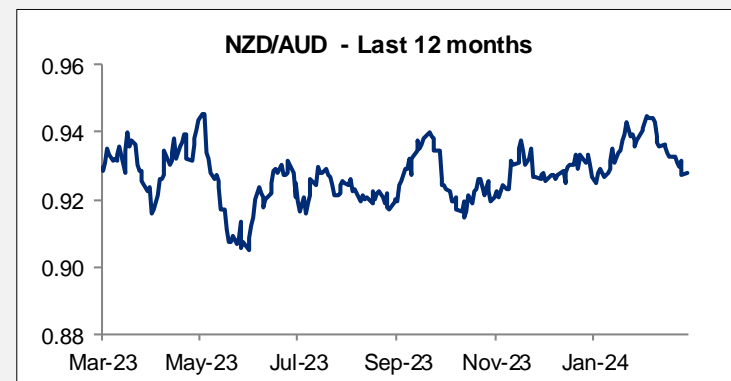
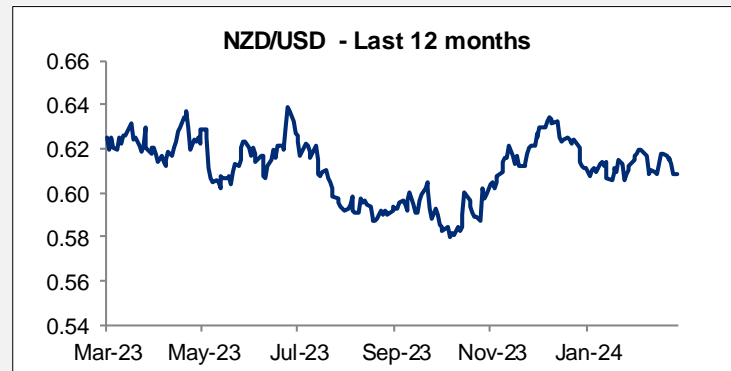
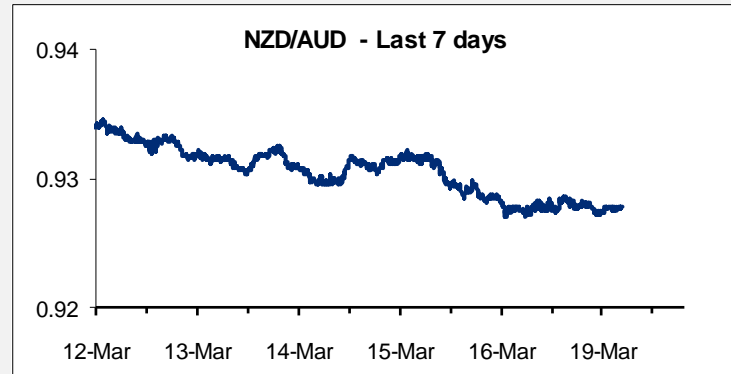
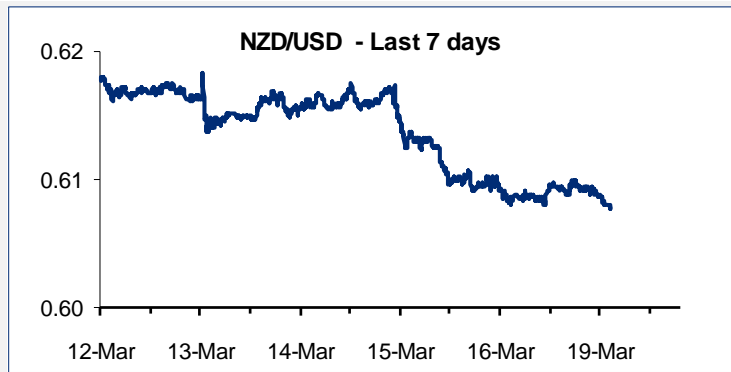
Currencies						Equities				Commodities					
Indicative overnight ranges (*)					Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.6080	-0.1	0.6078	0.6100	CHF	0.8879	+0.5		S&P 500	5,156	+0.8	31.6	Oil (Brent)	86.75	+1.7
AUD	0.6554	-0.1	0.6551	0.6574	SEK	10.449	+0.8		Dow	38,829	+0.3	21.9	Oil (WTI)	82.55	+1.9
EUR	1.0869	-0.2	1.0866	1.0906	NOK	10.661	+0.4		Nasdaq	16,144	+1.0	38.8	Gold	2163.1	+0.1
GBP	1.2725	-0.1	1.2718	1.2747	HKD	7.819	-0.0		Stoxx 50	4,983	-0.1	22.6	HRC steel	799.0	+0.9
JPY	149.11	+0.0	148.92	149.31	CNY	7.198	+0.0		FTSE	7,723	-0.1	5.3	CRB	284.6	+0.6
CAD	1.3539	-0.0			SGD	1.339	+0.1		DAX	17,933	-0.0	21.4	Wheat Chic.	557.3	+2.4
NZD/AUD	0.9277	+0.0			IDR	15,691	+0.6		CAC 40	8,148	-0.2	17.7	Sugar	22.16	+0.2
NZD/EUR	0.5594	+0.1			THB	35.99	+0.3		Nikkei	39,740	+2.7	45.4	Cotton	94.42	+0.5
NZD/GBP	0.4778	+0.0			KRW	1,334	+0.3		Shanghai	3,085	+1.0	-5.1	Coffee	181.8	-0.8
NZD/JPY	90.66	-0.1			TWD	31.67	+0.1		ASX 200	7,676	+0.1	9.7	WM powder	3130	-0.2
NZD/CAD	0.8232	-0.1			PHP	55.55	+0.0		NZX 50	11,728	-0.3	0.0	<b>Australian Futures</b>		
NZ TWI	71.19	+0.0						VIX Index	14.58	+1.2	-42.8	3 year bond	96.30	0.01	
												10 year bond	95.84	0.01	
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields					
	Rates		Swap Yields		Benchmark 10 Yr Bonds			Last	Chg		Last	Chg			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day									
USD	5.50	5.59	4.65	3.96	USD	4.34	0.03	15-May-26	4.70	-0.03	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.35	4.03	4.39	AUD	4.11	-0.02	15-Apr-27	4.52	-0.03	BKBM 3-mth	5.64	-0.00		
NZD	5.50	5.64	4.97	4.46	NZD	4.69	-0.02	15-May-28	4.45	-0.03	1 year	5.45	0.00		
EUR	4.00	3.93	3.25	2.72	GER	2.46	0.02	20-Apr-29	4.45	-0.03	2 year	4.97	0.00		
GBP	5.25	5.33	4.57	3.81	GBP	4.09	-0.01	15-May-30	4.48	-0.02	3 year	4.66	0.00		
JPY	0.00	-0.03	0.26	0.86	JPY	0.77	-0.02	15-May-31	4.53	-0.02	5 year	4.42	-0.00		
CAD	5.00	5.31	4.64	3.93	CAD	3.60	0.06	15-May-32	4.59	-0.01	7 year	4.39	-0.01		
								14-Apr-33	4.64	-0.01	10 year	4.46	-0.01		
								15-May-34	4.69	-0.02	15 year	4.57	-0.01		
								15-May-37	4.84	-0.01					
								15-May-41	4.94	-0.01					
								15-May-51	4.92	-0.01					
								15-May-54	4.95	-0.01					

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
Rates are as of: NZT 07:00

Source: Bloomberg

**NZD exchange rates**

19/03/2024	7:00 am	Prev. NY close
USD	0.6080	0.6085
GBP	0.4778	0.4778
AUD	0.9277	0.9276
EUR	0.5594	0.5588
JPY	90.66	90.69
CAD	0.8232	0.8240
CHF	0.5398	0.5378
DKK	4.1714	4.1672
FJD	1.3771	1.3643
HKD	4.7542	4.7599
INR	50.41	50.44
NOK	6.4816	6.4616
PKR	169.44	169.62
PHP	33.78	33.79
PGK	2.2892	2.2919
SEK	6.3532	6.3049
SGD	0.8144	0.8139
CNY	4.3766	4.3794
THB	21.88	21.77
TOP	1.4064	1.4095
VUV	73.51	73.27
WST	1.6528	1.6443
XPF	66.54	66.58
ZAR	11.5363	11.4236



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.06	0.24
3 Months	-0.30	0.21
6 Months	-2.48	-1.12
9 Months	-4.16	-2.16
1 Year	-6.68	-3.68

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.10	-8.20
3 Months	-24.93	-23.72
6 Months	-51.00	-47.53
9 Months	-71.37	-66.21
1 Year	-89.79	-81.24

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