

# Research Markets Today

20 March 2024

## Events Round-Up

AU: RBA cash rate target (%), Mar: 4.35 vs. 4.35 exp.  
 JN: BoJ policy rate range (%), Mar: 0-0.1 vs -0.1 prev.  
 JN: BOJ 10-Yr Yield Target, Mar: YCC discontinued  
 GE: ZEW survey expectations, Mar: 31.7 vs. 20.2 exp.  
 US: Building permits (k), Feb: 1518 vs. 1500 exp.  
 US: Housing starts (k), Feb: 1521 vs. 1430 exp.  
 CA: CPI (y/y%), Feb: 2.8 vs. 3.1 exp.  
 CA: CPI core (avg trim, median y/y%), Feb: 3.2 vs. 3.3 exp.

## Good Morning

Global asset markets were generally subdued as investors looked ahead to the US Federal Reserve rate decision which will help frame the outlook for policy easing this year. The S&P recovered from an earlier dip to be marginally higher in afternoon trade with similar small moves across other major global indices. The Nikkei registered a 0.7% gain after yesterday's widely anticipated Bank of Japan meeting. Treasury yields drifted lower and the US dollar advanced.

The Bank of Japan (BOJ) raised interest rates for the first time since 2007, becoming the last central bank to exit negative interest rate policy. The BOJ shifted to a new overnight policy rate which it will keep in a 0-0.1% range, discontinued its yield curve control program and ended purchases of exchange-traded funds. However, it will continue to purchase government bonds to ensure any move higher in yields remains gradual. The policy adjustment was widely anticipated. JGB yields ended marginally lower while the yen weakened.

In the US, building permits and housing starts for February exceeded median expectations. Although likely partly weather related, easing mortgage rates and weak inventory for existing homes for sale contributed to demand. The data suggests the underlying trend is improving, and aligns with the pickup in homebuilder sentiment, which turned positive in March.

US treasury yields drifted lower across the curve. 2-year yields retraced marginally from the 2024 highs falling 3bps to 4.70%. There was a similar move in 10-year treasuries – down 2bps to 4.30% - in quiet market conditions with many investors sidelined ahead of the FOMC. The US\$13

billion 20-year auction saw decent demand with yields near the 2024 highs likely a factor.

The yen was the main mover in currency markets falling more than 1% against the US dollar compared with pre-BOJ levels. Comments by Governor Ueda, who said it's important to keep monetary conditions accommodative, weighted on the Yen. The US Dollar was broadly stronger against G10 currencies. Softer than expected inflation data in Canada, increased market pricing for a June cut by the BoC and contributed to CAD weakness.

NZD/USD extended the move from the local session yesterday and made new 2024 lows towards 0.6035. There didn't appear to be any independent catalyst for the NZD move. However, sentiment may have been impacted by the Treasury's commentary that said NZ was in a 'severe' economic downturn. The NZD is weaker on the major crosses except NZD/JPY. NZD/AUD retraced gains made yesterday following the RBA meeting, where rates were on hold as expected, and the bank removed any references to possible future increases.

NZ fixed interest markets ended the local session yesterday lower in yield with a modest steepening bias. 10-year NZGB yields fell 2bps to 4.67%. Bonds outperformed swaps with rates in the 10-year sector unchanged on the day. Australian 3 and 10-year bond futures are largely unchanged overnight following the post-RBA drop in yields.

NZ Q4 current account data is released today and is expected to continue narrowing as a proportion of GDP. The FOMC is unanimously expected to leave rates on hold tomorrow morning (NZT) with the focus on updated economic projections and Chair Powell's press conference. Investors will look to the 'dot plot' and the amount of rate cuts forecast for this year.

Another key focus is any change in policymakers' long run view of the fed funds rate. The median has been stable at 2.5% since 2019. Officials are also likely to discuss the Fed's balance sheet though an official announcement about the tapering of quantitative tightening is not expected at this meeting.

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### Coming Up

		Period	Cons.	Prev.	NZT
NZ	Westpac Consumer Confidence	1Q	88.9	09:00	
NZ	Current Account (% GDP)	4Q	-7	-7.6	10:45
CH	5-Year Loan Prime Rate	Mar	3.95	3.95	14:15
CH	1-Year Loan Prime Rate	Mar	3.45	3.45	14:15
UK	CPI (y/y%)	Feb	3.5	4	20:00
UK	CPI Core (y/y%)	Feb	4.6	5.1	20:00
EC	ECB's Lagarde Speaks in Frankfurt				21:45
EC	Consumer Confidence	Mar P	-15	-15.5	04:00
US	FOMC Rate (Upper Bound)	Mar	5.5	5.5	07:00
US	Fed Chair Powell Post-Meeting Press Conference				07:30

Source: Bloomberg, BNZ

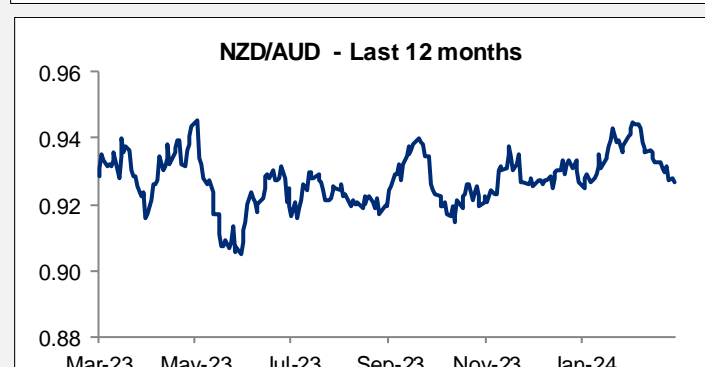
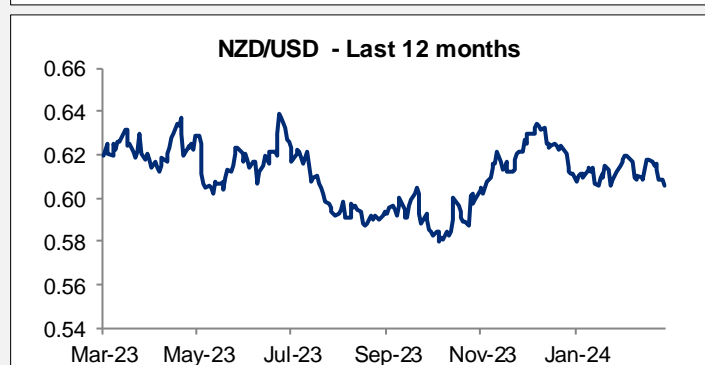
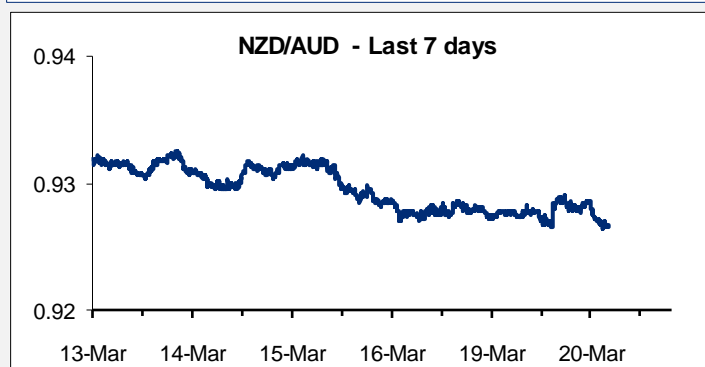
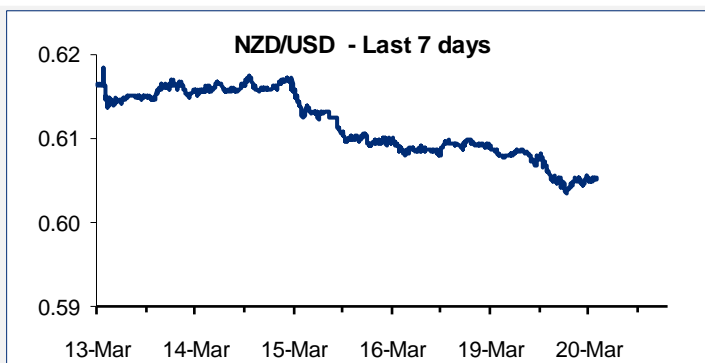
Currencies						Equities				Commodities					
Indicative overnight ranges (*)					Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.6054	-0.5	0.6034	0.6057	CHF	0.8878	+0.0		S&P 500	5,167	+0.3	31.9	Oil (Brent)	87.52	+0.8
AUD	0.6534	-0.4	0.6504	0.6536	SEK	10.423	-0.1		Dow	39,061	+0.7	22.6	Oil (WTI)	83.64	+1.2
EUR	1.0865	-0.1	1.0835	1.0869	NOK	10.644	-0.1		Nasdaq	16,157	+0.3	38.9	Gold	2158.2	-0.2
GBP	1.2733	+0.0	1.2668	1.2731	HKD	7.823	+0.0		Stoxx 50	5,008	+0.5	23.2	HRC steel	795.0	-0.5
JPY	150.92	+1.2	149.99	150.96	CNY	7.199	+0.0		FTSE	7,738	+0.2	5.5	CRB	287.2	+0.9
CAD	1.3560	+0.2			SGD	1.342	+0.2		DAX	17,987	+0.3	21.8	Wheat Chic.	566.8	+1.7
NZD/AUD	0.9265	-0.1			IDR	15,718	+0.2		CAC 40	8,201	+0.6	18.4	Sugar	21.64	-2.8
NZD/EUR	0.5572	-0.5			THB	36.06	+0.2		Nikkei	40,004	+0.7	48.5	Cotton	93.33	-1.4
NZD/GBP	0.4755	-0.5			KRW	1,340	+0.5		Shanghai	3,063	-0.7	-5.3	Coffee	183.1	+0.7
NZD/JPY	91.37	+0.7			TWD	31.78	+0.3		ASX 200	7,703	+0.4	11.7	WM powder	3135	+0.2
NZD/CAD	0.8209	-0.3			PHP	55.92	+0.7		NZX 50	11,818	+0.8	2.2	<b>Australian Futures</b>		
NZ TWI	71.02	-0.3						VIX Index	14.12	-1.5	-44.6	3 year bond	96.37	0.07	
<b>Interest Rates</b>						<b>NZ Government Bonds</b>				<b>NZ BKBM and Swap Yields</b>					
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last	Chg	Last	Chg	Last	Chg			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day									
USD	5.50	5.59	4.60	3.93	USD	4.30	-0.03	15-May-26	4.66	-0.05	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.35	3.97	4.33	AUD	4.08	-0.03	15-Apr-27	4.48	-0.05	BKBM 3-mth	5.64	-0.00		
NZD	5.50	5.64	4.94	4.46	NZD	4.65	-0.04	15-May-28	4.40	-0.04	1 year	5.43	-0.02		
EUR	4.00	3.93	3.23	2.72	GER	2.45	-0.01	20-Apr-29	4.41	-0.04	2 year	4.94	-0.03		
GBP	5.25	5.33	4.52	3.79	GBP	4.06	-0.03	15-May-30	4.44	-0.04	3 year	4.64	-0.02		
JPY	0.00	-0.03	0.28	0.85	JPY	0.74	-0.03	15-May-31	4.49	-0.04	5 year	4.41	-0.01		
CAD	5.00	5.31	4.52	3.84	CAD	3.52	-0.08	15-May-32	4.56	-0.04	7 year	4.39	0.00		
								14-Apr-33	4.60	-0.04	10 year	4.46	0.00		
								15-May-34	4.65	-0.04	15 year	4.58	0.00		
								15-May-37	4.81	-0.03					
								15-May-41	4.92	-0.02					
								15-May-51	4.91	-0.01					
								15-May-54	4.93	-0.02					

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
Rates are as of: NZT 06:35

Source: Bloomberg

**NZD exchange rates**

20/03/2024 6:35 am		Prev. NY close
USD	0.6054	0.6085
GBP	0.4755	0.4780
AUD	0.9265	0.9276
EUR	0.5572	0.5597
JPY	91.37	90.76
CAD	0.8209	0.8235
CHF	0.5375	0.5402
DKK	4.1550	4.1732
FJD	1.3719	1.3789
HKD	4.7359	4.7580
INR	50.27	50.45
NOK	6.4438	6.4842
PKR	168.66	169.58
PHP	33.85	33.81
PGK	2.2794	2.2833
SEK	6.3103	6.3490
SGD	0.8124	0.8149
CNY	4.3585	4.3802
THB	21.85	21.89
TOP	1.4171	1.4191
VUV	73.22	73.60
WST	1.6462	1.6536
XPF	66.26	66.66
ZAR	11.4501	11.5286



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.06	0.30
3 Months	-0.14	0.32
6 Months	-1.96	-0.71
9 Months	-4.08	-2.09
1 Year	-7.35	-4.35

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.81	-7.96
3 Months	-25.03	-23.80
6 Months	-50.88	-47.57
9 Months	-72.77	-67.67
1 Year	-92.38	-84.60

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