

Research Markets Today

21 February 2024

Events Round-Up

CH: 5-yr loan prime rate (%), Feb: 3.95 vs. 4.1 exp.

CH: 1-yr loan prime rate (%), Feb: 3.45 vs. 3.40 exp.

CA: CPI core (avg trim, median y/y%), Jan: 3.35 vs. 3.6 exp.

CA: CPI (y/y%), Jan: 2.9 vs. 3.3 exp.

Good Morning

US equities are weaker, Treasury yields are lower and the USD is broadly weaker. There aren't any obvious factors at play other than all these represent a retreat from the recent trend. Despite lower risk appetite, the NZD has outperformed, pushing up to 0.6175 and it is stronger on the crosses, particularly against the CAD, following much weaker than expected Canadian CPI data.

Canadian CPI inflation data for January showed the annual headline rate falling to 2.9%, putting it back within the target range, and the average of trimmed mean and median measures falling to 3.35%. The softer data saw the market bring forward expected rate cuts from the Bank of Canada, with April now given an even chance of a 25bps cut. Canadian bond yields fell by much more than others, with the 2-year rate down 14bps and the 10-year rate down 10bps. CAD has been the weakest of the majors, the only one to fall against the USD overnight and the past 24 hours. NZD/CAD has pushed up to 0.8350.

The US economic calendar remains bare this week, but Walmart's CEO said that prices for its products didn't decline as much as he expected over the past three months, "the slope of the decline softened". Shoppers are spending less per trip for the first time in over two years and consumers continued to spend on groceries and other essentials, while pulling back on discretionary items.

The ECB, which is highly focused on wage inflation at present, reported negotiated pay in the euro area rose 4.5% in Q4, down from 4.7%, suggesting that the corner had turned but wage inflation remained very high.

Yesterday, Chinese banks unexpectedly cut their 5-year loan prime rate by 25bps to 3.95%, the largest move in five years, while the 1-year rate was left unchanged at 3.45%. The 5-year rate is the important one for mortgages and, while the move is designed to help support the housing market, there has been little sign of traction from the

previous mortgage cuts of nearly 200bps. Thus, the net stimulus to the economy should be considered marginal, given the prevailing troubles in the property market, but it all plays to further incremental policy stimulus, albeit well shy of the large fiscal stimulus that is likely required to have any meaningful economic impact. Market reaction to the move was muted.

US equities are broadly weaker, led by falls in tech, with Nvidia down 6% ahead of its earnings release. The S&P500 is currently down nearly 1%. The EuroStoxx 600 index closed down 0.1%.

US Treasury yields are lower across the curve, with the 2-year rate down 6bps to 4.58% after rising to its highest level this year at the end of last week, and the 10-year rate is down 3bps to 4.25% in what looks like support for the market after the yield tested 4.3% a few times last week.

European yields have fallen by slightly more, with Germany's 10-year rate down 4bps and the UK 10-year rate down 7bps. BoE Governor Bailey was in front of lawmakers and he noted "not unreasonable" bets by the market on rate cuts this year, with the timing and scale of cuts determined by the progress in tackling sticky inflation, adding "we don't need obviously inflation to come back to target before we cut interest rates". As with other markets overnight, there was a modest bringing forward of rate cuts, with 33bps now priced by the August meeting.

Despite weaker risk appetite and US rates not falling as much as other markets, the USD is broadly weaker (apart from against CAD, as noted). EUR has pushed up through 1.08, GBP is at 1.2630 and USD/JPY has slipped just below 150. The NZD has outperformed for no obvious reason, lifting to just over 0.6190 overnight before slipping to 0.6175. AUD has risen to 0.6550 and NZD/AUD is up to 0.9420.

The overnight GDT dairy auction showed a 0.5% in the price index, continuing the positive trend, albeit it was the smallest increase this year. The details were mixed, with whole milk powder falling 1.8% and skim milk powder up 1.3%. Butter was barely higher while cheddar fell 7.6%.

In the domestic rates market, as expected, NZDM launched the syndication of a new 30-year bond with price guidance for the 2054 nominal bond -1bps to +6 bps over the 2051 bond. The overnight update showed very strong demand, with a firm order book of around \$16.5b for the \$2b-\$4b

issue and price guidance narrowed to 0bps to +2bps. With a heavy issuance schedule, it would make sense for NZDM to issue the full \$4b considered. NZGB and swap yields ended the day down 1-3bps lower across the curve, with a flattening bias, signalling some comfort in absorbing the new supply.

In the day ahead, NZ PPI data are followed by key Australian wages data, with the consensus picking a 0.9% q/q lift, in line with the RBA's expectation.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	PPI output (q/q%)	Q4		0.8	10:45
AU	Wage price index (y/y%)	Q4	4.1	4.0	13:30
AU	Wage price index (q/q%)	Q4	0.9	1.3	13:30
EC	Consumer confidence	Feb	-15.5	-16.1	04:00

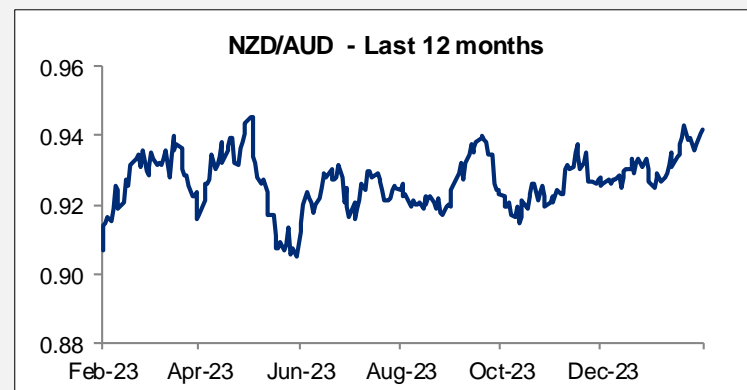
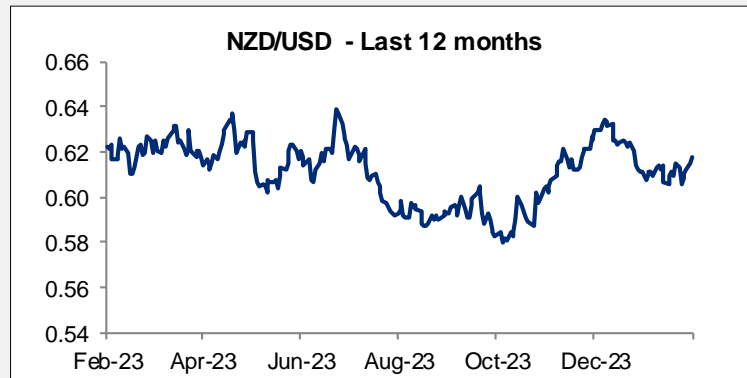
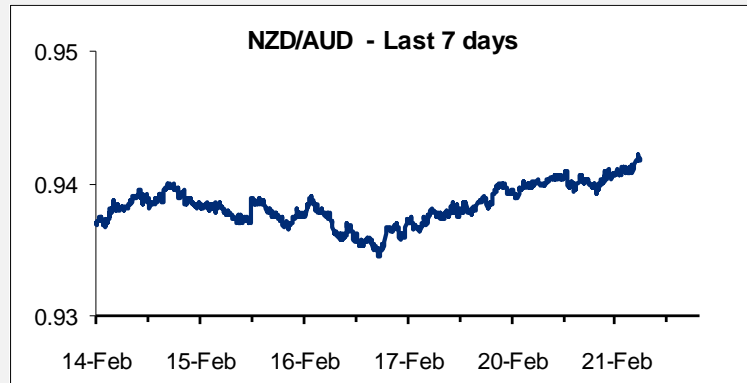
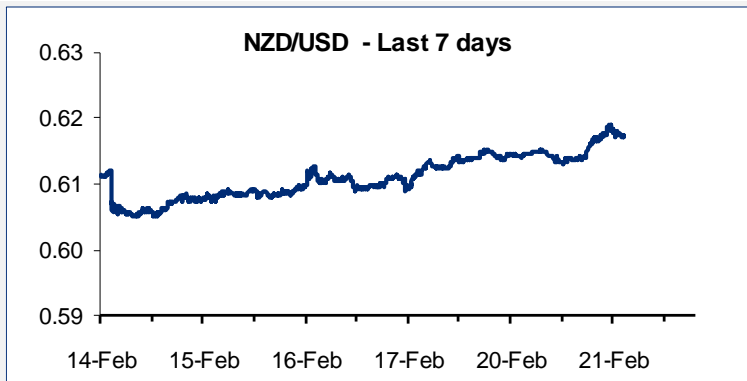
Source: Bloomberg, BNZ

Currencies						Equities				Commodities				
Indicative overnight ranges (*)					Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High		Last	% Day			Last	Net Day			
NZD	0.6174	+0.4	0.6136	0.6191	CHF	0.8813	-0.1	S&P 500	4,960	-0.9	21.6	Oil (Brent)	82.40	-1.4
AUD	0.6555	+0.2	0.6528	0.6579	SEK	10.364	-0.4	Dow	38,508	-0.3	13.8	Oil (WTI)	79.17	-0.0
EUR	1.0811	+0.3	1.0767	1.0839	NOK	10.491	+0.1	Nasdaq	15,546	-1.5	31.9	Gold	2027.2	+0.8
GBP	1.2631	+0.3	1.2581	1.2669	HKD	7.821	+0.0	Stoxx 50	4,760	-0.1	11.5	HRC steel	925.0	-0.4
JPY	149.90	-0.2	149.69	150.44	CNY	7.192	-0.1	FTSE	7,719	-0.1	-3.7	CRB	272.6	+0.5
CAD	1.3521	+0.2			SGD	1.344	-0.2	DAX	17,068	-0.1	10.3	Wheat Chic.	577.0	+3.2
NZD/AUD	0.9419	+0.2			IDR	15,660	+0.2	CAC 40	7,795	+0.3	6.3	Sugar	22.69	-1.7
NZD/EUR	0.5711	+0.1			THB	35.98	-0.2	Nikkei	38,364	-0.3	39.6	Cotton	91.29	-2.7
NZD/GBP	0.4888	+0.1			KRW	1,337	+0.2	Shanghai	2,923	+0.4	-11.6	Coffee	186.4	-0.2
NZD/JPY	92.55	+0.2			TWD	31.50	+0.3	ASX 200	7,659	-0.1	4.4	WM powder	3390	+0.0
NZD/CAD	0.8348	+0.6			PHP	56.06	-0.0	NZX 50	11,571	-0.7	-2.0	Australian Futures		
NZ TWI	72.38	+0.3						VIX Index	15.82	+7.5	-21.0	3 year bond	96.26	0.01
Interest Rates										10 year bond 95.85 0.05				
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	5.58	4.46	3.89	USD	4.25	-0.03	15-May-26	4.92	-0.01	BKBM 1-mth	5.64	0.01	
AUD	4.35	4.33	4.00	4.41	AUD	4.18	0.01	15-Apr-27	4.76	-0.02	BKBM 3-mth	5.71	0.00	
NZD	5.50	5.71	5.19	4.68	NZD	4.85	-0.03	15-May-28	4.68	-0.02	1 year	5.68	-0.00	
EUR	4.00	3.93	3.15	2.73	GER	2.37	-0.04	20-Apr-29	4.67	-0.02	2 year	5.19	-0.01	
GBP	5.25	5.33	4.49	3.83	GBP	4.04	-0.07	15-May-30	4.69	-0.03	3 year	4.88	-0.02	
JPY	-0.02	-0.03	0.27	0.90	JPY	0.73	-0.00	15-May-31	4.73	-0.03	5 year	4.64	-0.04	
CAD	5.00	5.35	4.53	3.83	CAD	3.48	-0.10	15-May-32	4.77	-0.03	7 year	4.63	-0.03	
						NZ Inflation-Indexed Bonds		14-Apr-33			4.81			-0.03
						Sep-30		15-May-34			4.85			-0.03
						Sep-35		15-May-37			4.99			-0.03
						Sep-40		15-May-41			5.09			-0.03
								15-May-51			5.08			-0.03

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:56
 Source: Bloomberg

NZD exchange rates

21/02/2024	6:57 am	Prev. NY close
USD	0.6174	0.6150
GBP	0.4888	0.4883
AUD	0.9419	0.9404
EUR	0.5711	0.5706
JPY	92.55	92.33
CAD	0.8348	0.8297
CHF	0.5441	0.5427
DKK	4.2572	4.2528
FJD	1.3981	1.3936
HKD	4.8286	4.8098
INR	51.23	51.06
NOK	6.4768	6.4483
PKR	172.58	171.85
PHP	34.61	34.48
PGK	2.3184	2.3086
SEK	6.3990	6.3996
SGD	0.8295	0.8278
CNY	4.4402	4.4268
THB	22.26	22.15
TOP	1.4295	1.4373
VUV	74.76	74.65
WST	1.6826	1.6772
XPF	68.52	68.26
ZAR	11.6771	11.6611



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.30	-0.01
3 Months	-1.38	-0.88
6 Months	-7.05	-5.63
9 Months	-15.55	-13.54
1 Year	-26.12	-23.12

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.89	-8.10
3 Months	-27.92	-26.69
6 Months	-59.22	-55.64
9 Months	-88.69	-83.43
1 Year	-116.49	-108.86

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