

# Research Markets Today

22 January 2024

## Events Round-Up

NZ: Manufacturing PMI, Dec: 43.1 vs. 46.7 prev.  
 NZ: Net migration, Nov: 2740 vs. 7810 prev.  
 JN: CPI (y/y%), Dec: 2.6 vs. 2.5 exp.  
 JN: CPI ex fr. food, energy (y/y%), Dec: 3.7 vs. 3.7 exp.  
 UK: Retail sales ex auto fuel (m/m%), Dec: -3.3 vs. -0.7 exp.  
 CA: Retail sales ex auto (m/m%), Nov: -0.5 vs. -0.1 exp.  
 US: U. of Mich. consumer sentiment, Jan: 78.8 vs. 70.1 exp.  
 US: U. of Mich. 5-10y inflation exp, Jan: 2.8 vs. 3.0 exp.  
 US: Existing home sales (m/m%), Dec: -1 vs. 0.1 exp.

## Good Morning

US equities ended last week on a positive note with the S&P advancing 1.2% to 4840, a new record high close. The move higher was underpinned by gains in technology companies. The index has now fully unwound the ~25% drawdown which began in January 2022 and reached a trough in October the same year. US treasury yields are mixed and the US dollar is little changed.

US consumer sentiment for January rose to its highest level since July 2021. The index rose to 78.8 from 69.7 in December which was well above consensus estimates. The cumulative 2-month climb is the largest since 1991. Improved sentiment reflects higher equity markets, lower gas prices and an increasing belief the Federal Reserve has finished raising interest rates. In addition, 5-to-10-year inflation expectations fell to 2.8% from which is near the bottom of the range from the past few years, but still above the pre-Covid level mean of 2.5%

There were several Fed speakers ahead of the blackout period for the January FOMC that pushed back against near-term rate cuts. Chicago Fed President Goolsbee, who is typically among the move dovish Fed members, said a further fall in inflation would open the door for rate cuts, though he stressed the FOMC will make decisions 'meeting-by-meeting'. Atlanta Fed President Bostic said he wants to see more evidence of inflation falling and that policy makers should proceed cautiously toward interest rate cuts while San Francisco Fed President Daly said it's premature to think rate cuts are around the corner.

US 2-year treasury yields increased 3bps to 4.41%. 10-year yields initially traded to fresh 2024 highs near 4.20%

before reversing to end down 2bps at 4.12%. The market is looking ahead to the supply pipeline this week. There is US\$162 billion of treasury issuance split across 2-, 5-, and 7-year bonds alongside an expected US\$25 billion of investment grade corporate issuance.

Yields on 10-year UK gilts fell initially after an unexpectedly sharp drop in retail sales in December before retracing to end unchanged at 3.93%. Core retail sales fell 3.3% m/m which was the largest fall on record after excluding the pandemic period. The data raises concerns about the outlook for economic growth and increases the probability of the economy being in a technical recession for H2-23.

Japan CPI ex-food and energy slowed to 3.7% y/y from 3.8%. This is the fourth consecutive month of declines and eases pressure on the Bank of Japan, which meets tomorrow, to adjust its ultra easy monetary policy. The yen is the worst performing G10 currency this year having fallen close to 5% against the US dollar which reflects higher treasury yields and the market pricing out any near-term tightening by the BoJ.

The US dollar ended Friday's session little changed. Major pairings were confined to narrow ranges. The pound underperformed within the G10 following the dire retail sales report. NZD/USD retested the 2024 lows near 0.6090 in offshore trade but managed to make a modest recovery to close unchanged near 0.6115.

NZ government bond yields ended the local session on Friday higher in yield. 10-year bond increased 6bps to 4.72% with the yield curve steepening. 2-year bonds increased 3bps. The front end was supported by further evidence of weak economic activity. The manufacturing PMI slipped to 43.1 in December which is the lowest level of activity since October.

It is a largely clear economic calendar to start the week and the Wellington anniversary holiday will subdue local market activity.

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## Coming Up

		Period	Cons.	Prev.	NZT
CH	5-Year Loan Prime Rate	Jan	4.2	4.2	14:15
CH	1-Year Loan Prime Rate	Jan	3.45	3.45	14:15

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	% Day	% Year		Last	Net Day			
NZD	0.6115	-0.0	0.6090	0.6124	CHF	0.8684	+0.0	S&P 500	4,840	+1.2	21.8	Oil (Brent)	78.56	-0.7			
AUD	0.6598	+0.4	0.6565	0.6602	SEK	10.469	-0.2	Dow	37,864	+1.1	13.4	Oil (WTI)	73.41	-0.9			
EUR	1.0897	+0.2	1.0866	1.0896	NOK	10.489	-0.4	Nasdaq	15,311	+1.7	37.4	Gold	2029.3	+0.4			
GBP	1.2703	-0.0	1.2662	1.2701	HKD	7.818	-0.0	Stoxx 50	4,449	-0.1	8.0	HRC steel	1070.0	+0.0			
JPY	148.17	-0.0	147.84	148.81	CNY	7.193	-0.0	FTSE	7,462	+0.0	-4.0	CRB	265.4	-0.0			
CAD	1.3429	-0.4			SGD	1.341	-0.2	DAX	16,555	-0.1	10.1	Wheat Chic.	603.5	+1.1			
NZD/AUD	0.9269	-0.4			IDR	15,615	-0.1	CAC 40	7,372	-0.4	5.4	Sugar	23.57	+2.3			
NZD/EUR	0.5612	-0.2			THB	35.56	-0.1	Nikkei	35,963	+1.4	35.4	Cotton	83.95	+1.7			
NZD/GBP	0.4814	+0.0			KRW	1,339	-0.0	Shanghai	2,832	-0.5	-13.2	Coffee	185.2	+2.9			
NZD/JPY	90.61	+0.0			TWD	31.40	-0.6	ASX 200	7,421	+1.0	-0.4	WM powder	3355	-1.0			
NZD/CAD	0.8212	-0.4			PHP	55.95	+0.2	NZX 50	11,666	-0.2	-2.6	Australian Futures					
NZ TWI	71.35	-0.2						VIX Index	13.30	-5.9	-33.0	3 year bond	96.16	-0.02			
Interest Rates												10 year bond			95.71	0.02	
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	4.23	3.76	USD	4.12	-0.02	15-May-26		4.64	0.02	BKBM 1-mth	5.58	0.00			
AUD	4.35	4.34	4.13	4.54	AUD	4.29	0.03	15-Apr-27		4.52	0.03	BKBM 3-mth	5.65	0.00			
NZD	5.50	5.65	4.77	4.50	NZD	4.76	0.07	15-May-28		4.46	0.04	1 year	5.35	0.01			
EUR	4.00	3.97	3.06	2.72	GER	2.34	-0.01	20-Apr-29		4.46	0.04	2 year	4.77	0.01			
GBP	5.25	5.33	4.33	3.69	GBP	3.93	-0.00	15-May-31		4.61	0.05	3 year	4.50	0.01			
JPY	-0.01	-0.03	0.19	0.86	JPY	0.67	0.02	15-May-32		4.67	0.05	5 year	4.35	0.04			
CAD	5.00	5.42	4.52	3.83	CAD	3.49	0.00	14-Apr-33		4.71	0.06	7 year	4.39	0.05			
							NZ Inflation-Indexed Bonds		15-May-34		4.76	0.07	10 year	4.50	0.07		
* These are indicative ranges from 5pm NZT;							Sep-30		2.48	0.04	15-May-41		5.05	0.09	15 year	4.66	0.08
please confirm rates with your BNZ dealer							Sep-35		2.78	0.04	15-May-51		5.04	0.09			
Rates at NY close							Sep-40		3.01	0.04							
Source: Bloomberg																	

**NZD exchange rates**

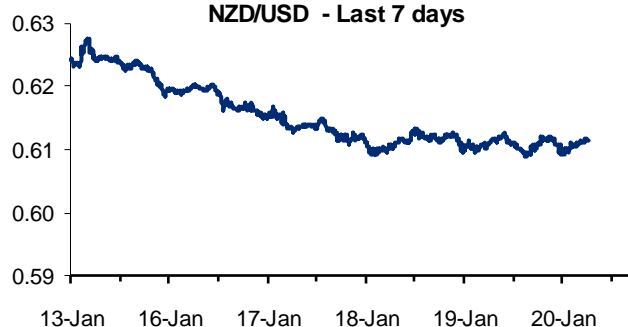
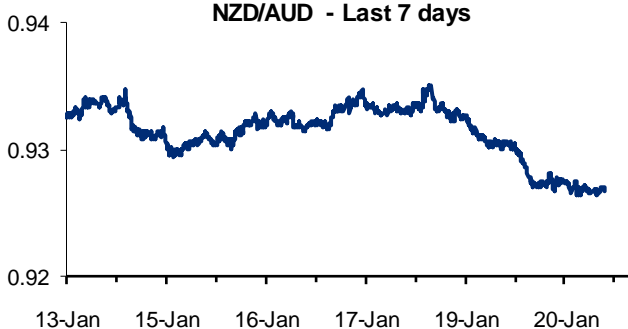
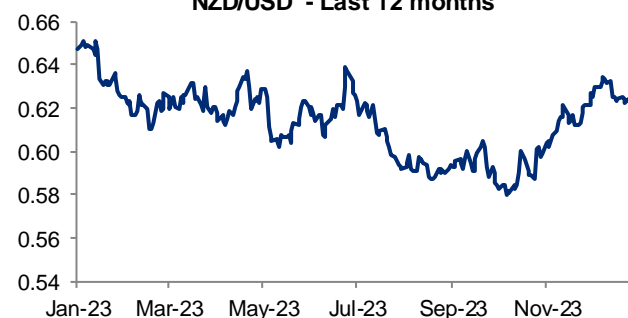
20/01/2024	NY close	Prev. NY close
USD	0.6115	0.6116
GBP	0.4814	0.4813
AUD	0.9269	0.9305
EUR	0.5612	0.5623
JPY	90.61	90.61
CAD	0.8212	0.8249
CHF	0.5309	0.5309
DKK	4.1833	4.1924
FJD	1.3685	1.3806
HKD	4.7792	4.7833
INR	50.78	50.84
NOK	6.4119	6.4400
PKR	171.13	171.24
PHP	34.22	34.15
PGK	2.2793	2.2846
SEK	6.3995	6.4134
SGD	0.8196	0.8221
CNY	4.3973	4.4013
THB	21.71	21.77
TOP	1.4246	1.4243
VUV	73.88	73.92
WST	1.6524	1.6586
XPF	66.83	66.86
ZAR	11.6335	11.5828

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.04	0.48
3 Months	-0.25	0.57
6 Months	-3.40	-1.40
9 Months	-10.43	-4.85
1 Year	-15.74	-12.01

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.93	-8.72
3 Months	-25.84	-24.16
6 Months	-47.49	-43.05
9 Months	-66.15	-55.54
1 Year	-76.15	-66.97

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

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