

# Research Markets Today

23 February 2024

## Events Round-Up

NZ: Trade balance (ann NZ\$bn), Jan: 12.5 vs. 13.6 prev.  
 GE: Manufacturing PMI, Feb: 42.3 vs. 46.0 exp.  
 GE: Services PMI, Feb: 48.2 vs. 48.0 exp.  
 EC: Manufacturing PMI, Feb: 46.1 vs. 47.0 exp.  
 EC: Services PMI, Feb: 50.0 vs. 48.8 exp.  
 UK: Manufacturing PMI, Feb: 47.1 vs. 47.5 exp.  
 UK: Services PMI, Feb: 54.3 vs. 54.1 exp.  
 CA: Retail sales ex auto (m/m%), Dec: 0.6 vs. 0.7 exp.  
 US: Initial jobless claims (k), wk to 17 Feb: 201 vs. 216 exp.  
 US: Manufacturing PMI, Feb: 51.5 vs. 50.5 exp.  
 US: Services PMI, Feb: 51.3 vs. 52.4 exp.  
 US: Existing home sales (m/m%), Jan: 3.1 vs. 4.9 exp.

## Good Morning

Equity markets have been breaking records over the past 24 hours across Japan, the euro area and US. Nvidia's surge has helped the S&P500 power up 1.8% for the session so far. US Treasury yields have ticked up to fresh highs for the year as the market continues to pare back expected Fed easing this year. Net currency movements have been small. The NZD rose up through 0.62 and currently sits just below the figure. On the crosses, the NZD has pushed up to fresh highs against AUD and JPY.

There has been more focus on equities than other markets, with Nvidia's blockbuster earnings report – which included a 265% lift in revenue and stronger than expected projected revenue – driving a 15% lift in its share price and improving sentiment across the wider IT sector and cyclical stocks. This has driven the S&P500 up 1.8% to a fresh record high. Yesterday, Japan's Nikkei 225 index rose 2.2% to a record high, finally breaking above the December 1989 peak, a long-awaited milestone. The Euro Stoxx600 index closed 0.8% higher, breaking above the January 2022 peak to a fresh record. The NZX50 index remains some 14% below its 2021 peak, despite being measured on a gross basis that includes dividends. Sigh.

Bond markets are dull by comparison, with small net changes in yields for the major markets. US Treasury yields traded at fresh highs for the year. The 2-year rate peaked just shy of 4.72% and is still up 5bps for the day at 4.71%.

The 10-year rate peaked just under 4.35% and currently sits up 1bp for the day at 4.33%.

Markets have pared expected Fed rate cuts this year to 80bps, more or less in line with the Fed's view of 75bps, abandoning the narrative late last year and early this year that the Fed could ease much more aggressively than it had projected. Minutes from the Fed's last meeting, released after we went to print yesterday, reaffirmed the FOMC's cautious approach to cutting rates. In a speech overnight, Fed vice chair Jefferson gave a history lesson on past monetary policy cycles and concluded that policy makers need to remain vigilant and nimble. He didn't give much away on the current situation, noting that with policy now "well into restrictive policy" it will likely be appropriate to begin dialling back policy restraint later this year.

Economic releases had little net impact on the market. Preliminary PMI data for February showed stronger than expected data for the services sector across the UK and euro area and weaker than expected for the US, although for the latter the ISM services index, which has a much larger sample and history, is more closely watched.

For the euro area the services index is now back at the break-even 50 mark, while the UK was steady on 54.3, the fourth consecutive month above 50 and consistent with modest GDP growth. Manufacturing PMIs were weaker for the euro area, including a slump to 42.3 for Germany, considered the sick man of Europe. US manufacturing continues to show signs of recovery, with the index up to 51.5, its highest since May 2022.

US initial jobless claims fell 12k last week to 201k. It was the third successive weekly fall, taking the four-week average lower and breaking the recent upward trend. The data point to lingering resilience in the US labour market.

Currency markets show small net movements, with the key majors we follow all within +/- 0.2% against the USD overnight. In the hours after the NZ close, the NZD pushed up towards 0.6220 before reversing course and is back just below the figure, with the USD leg in the driving seat. There have only been small movements in the crosses, although NZD/AUD pierced 0.9450 to reach a fresh nine-month high and NZD/JPY traded at a fresh nine-year high above 93.3.

The domestic rates market showed a mild flattening bias, with 2-year swap up 3bps to 5.23% and the 10-year rate flat at 4.70, with similar flattening across the NZGB curve.

NZ's trade balance continued to significantly improve, with the annual deficit through to January shrinking to \$12.5b, after peaking at \$17.1b eight months ago. For the three months ended January, the value of exports fell 7.8% while imports fell 16.2%, the latter showing broad weakness across capital, intermediate and consumption goods, a reflection of the recessionary economic conditions.

In the day ahead, NZ retail sales data are released where the range for the Q1 figure in real terms is -0.6 to +0.5% following seven consecutive quarters of zero, or below-zero, growth. During NZ afternoon trading hours we'll hear

from the Fed's Waller, one of the more closely watched members of the FOMC by the market. The global data calendar is light tonight.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

### Coming Up

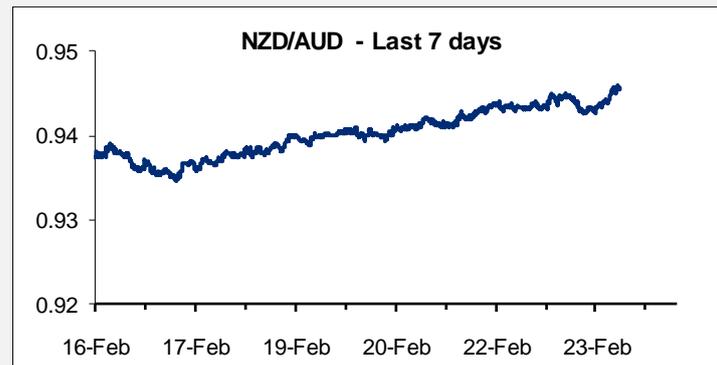
		Period	Cons.	Prev.	NZT
NZ	Real retail sales (q/q%)	Q4	-0.2	0.0	10:45
UK	GfK consumer confidence	Feb	-18	-19	13:01
US	Fed's Waller speaks on economic outlook				13:35
GE	IFO expectations	Feb	84.0	83.5	22:00

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	% Day	% Year		Last	Net Day	
NZD	0.6193	+0.2	0.6178	0.6218	CHF	0.8814	+0.2	S&P 500	5,068	+1.7	27.0	Oil (Brent)	83.87	+1.0		
AUD	0.6551	+0.0	0.6540	0.6595	SEK	10.339	-0.2	Dow	38,955	+0.9	17.9	Oil (WTI)	78.82	+1.2		
EUR	1.0820	+0.0	1.0803	1.0888	NOK	10.502	+0.2	Nasdaq	15,995	+2.7	39.0	Gold	2021.5	-0.0		
GBP	1.2657	+0.2	1.2612	1.2709	HKD	7.822	+0.0	Stoxx 50	4,855	+1.7	14.4	HRC steel	922.0	+0.0		
JPY	150.61	+0.2	150.02	150.69	CNY	7.194	+0.0	FTSE	7,684	+0.3	-3.1	CRB	274.0	+1.2		
CAD	1.3492	-0.1			SGD	1.343	-0.1	DAX	17,370	+1.5	12.8	Wheat Chic.	578.8	+0.1		
NZD/AUD	0.9454	+0.2			IDR	15,590	-0.3	CAC 40	7,912	+1.3	8.4	Sugar	22.76	+0.0		
NZD/EUR	0.5724	+0.2			THB	35.93	+0.1	Nikkei	39,099	+2.2	44.3	Cotton	94.19	+1.7		
NZD/GBP	0.4893	+0.0			KRW	1,328	-0.5	Shanghai	2,988	+1.3	-9.1	Coffee	183.3	-2.6		
NZD/JPY	93.27	+0.4			TWD	31.51	-0.1	ASX 200	7,611	+0.0	4.1	WM powder	3360	-0.3		
NZD/CAD	0.8356	+0.1			PHP	55.72	-0.4	NZX 50	11,690	+0.9	-1.7	<b>Australian Futures</b>				
NZ TWI	72.57	+0.2						VIX Index	14.26	-7.0	-36.0	3 year bond	96.27	-0.01		
<b>Interest Rates</b>												10 year bond			95.82	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	4.58	3.97	USD	4.33	0.01	15-May-26	4.94	0.02	BKBM 1-mth	5.65	0.01			
AUD	4.35	4.34	4.05	4.43	AUD	4.16	-0.02	15-Apr-27	4.77	0.02	BKBM 3-mth	5.71	0.00			
NZD	5.50	5.71	5.23	4.70	NZD	4.83	0.00	15-May-28	4.69	0.02	1 year	5.70	0.01			
EUR	4.00	3.95	3.26	2.78	GER	2.44	-0.01	20-Apr-29	4.67	0.02	2 year	5.23	0.03			
GBP	5.25	5.33	4.61	3.90	GBP	4.11	0.00	15-May-30	4.69	0.01	3 year	4.92	0.03			
JPY	-0.01	-0.03	0.26	0.89	JPY	0.72	-0.01	15-May-31	4.72	0.01	5 year	4.68	0.02			
CAD	5.00	5.34	4.62	3.90	CAD	3.55	0.00	15-May-32	4.76	0.01	7 year	4.65	0.01			
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer					<b>NZ Inflation-Indexed Bonds</b>			14-Apr-33	4.79	0.01	10 year	4.70	0.00			
Rates are as of: NZT 06:57					Sep-30	2.47	0.02	15-May-34	4.83	0.00	15 year	4.79	0.00			
Source: Bloomberg					Sep-35	2.78	0.01	15-May-37	4.97	0.00						
					Sep-40	2.96	0.02	15-May-41	5.06	0.00						
								15-May-51	5.04	-0.00						
								15-May-54	5.04							

**NZD exchange rates**

23/02/2024 6:57 am		Prev. NY close
USD	0.6193	0.6180
GBP	0.4893	0.4890
AUD	0.9454	0.9434
EUR	0.5724	0.5712
JPY	93.27	92.89
CAD	0.8356	0.8347
CHF	0.5459	0.5436
DKK	4.2663	4.2580
FJD	1.3929	1.3976
HKD	4.8444	4.8333
INR	51.31	51.28
NOK	6.5039	6.4792
PKR	172.97	172.76
PHP	34.51	34.58
PGK	2.3256	2.3216
SEK	6.4027	6.4040
SGD	0.8318	0.8306
CNY	4.4552	4.4442
THB	22.19	22.16
TOP	1.4416	1.4473
VUV	74.98	74.91
WST	1.6866	1.6854
XPF	68.61	68.52
ZAR	11.8660	11.6928



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.25	0.12
3 Months	-1.38	-0.88
6 Months	-6.35	-5.11
9 Months	-13.80	-11.80
1 Year	-22.16	-19.16

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.83	-8.02
3 Months	-28.47	-27.25
6 Months	-58.86	-55.55
9 Months	-88.71	-83.58
1 Year	-114.53	-107.11

# Contact Details

## BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets Strategist  
+64 4 924 7652

**Stuart Ritson**

Senior Interest Rate Strategist  
+64 9 9248601

**Mike Jones**

BNZ Chief Economist  
+64 9-956 0795

## Main Offices

**Wellington**

Level 2, BNZ Place  
1 Whitmore Street  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**

111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

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