

Research Markets Today

23 January 2024

Events Round-Up

Nothing of note

Good Morning

It has been a typically quiet start to the week, with little news flow. But that hasn't stopped the record-breaking run of US equities to continue. Global bond rates have pushed lower, and currency markets only show small movements, the NZD seeing some support just under 0.61.

Yesterday, Ron DeSantis dropped out of the Republican presidential nomination race and pledged his support for Donald Trump, adding to the chance of Trump securing the nomination. Polls ahead of the New Hampshire primary suggest another trouncing by Trump over his only remaining key rival Nikki Haley. From afar, it seems incredible that Americans would vote for a return of Donald Trump, but the question for investors is when to factor this into one's central forecasts?

After Friday's record close for the S&P500 index, US equity markets have pushed higher, with a modest gain to kick start the new week. Of note, record high US equity markets stand against a slump in Chinese equities, with the CSI300 index down 1½% yesterday to a fresh five-year low. An index of Chinese stocks on Hong Kong's market fell to a near twenty-year low. Performance of the respective US and Chinese equity markets mirrors current economic performance, with the US economy showing resilience in the face of relatively high interest rates, while China's economic momentum remains underwhelming, even in the face of historically low interest rates.

Global bond markets show signs of consolidation after the early-year selloff. European 10-year rates are down in the order of 2-5bps. The US 10-year rate is currently down 3bps from last week's close to 4.09%, with the curve showing a small flattening bias, with the 2-year rate down just 1bp to 4.37%. Fed speakers are now in a blackout period ahead of next week's FOMC meeting, seen to be a non-event with more anticipation of the March meeting, after more data on inflation are released. In this week's economic calendar, the key releases – Q4 GDP and the PCE deflators – are published Thursday night.

The domestic rates market was quiet with Wellington on holiday, enjoying record-high temperatures for January. There was a flattening of the swaps curve, with the 2-year rate down 1bp to 4.76% and the 10-year rate down 5bps to 4.45%. Focus turns to tomorrow's Q4 CPI release, with a strong consensus that it will come in well under the RBNZ's November MPS estimate of 0.8% q/q, to be around 0.5%, albeit that joy offset by the fact that the undershoot is likely to be concentrated in the tradeables sector, with non-tradeables inflation remaining sticky. Still, annual inflation should fall to a two-year low of 4.7%.

In currency markets, movements have been small, with no key drivers in play. Commodity currencies are on the soft side of the ledger, with CAD, AUD and NZD all down about 0.2% from last week's close. The NZD is continuing to find support just under the 0.61 mark, with last week's low of 0.6088 holding. The AUD is currently 0.6585 and NZD/AUD is steady around 0.9265. Other NZD crosses are slightly weaker.

Later today, in the first major central bank meeting of the year, the BoJ is expected to keep policy settings unchanged, with the consensus believing that April is, by far, the most likely time the Bank will scrap its negative short-term policy rate. Ahead of that, there could be some subtle changes of tone in the policy statement and Ueda's press conference. Removing the language that the BoJ will "take additional easing measures if necessary" would be entirely appropriate and has been long overdue to be culled.

Also on the calendar today, NZ's performance of services index is released, followed by NAB's business survey for Australia and tonight sees the release of consumer confidence for the euro area.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance of services index	Dec	51.2	10:30	
AU	NAB business conditions	Dec	9	13:30	
JN	BoJ 10-yr yield target (%)	Jan	0	0	
EC	Consumer confidence	Jan	-14.3	-15.0	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	% Day	% Year		Last	Net Day
NZD	0.6102	-0.2	0.6095	0.6124	CHF	0.8684	+0.0	S&P 500	4,853	+0.3	22.2	Oil (Brent)	80.19	+2.1
AUD	0.6587	-0.2	0.6579	0.6598	SEK	10.434	-0.3	Dow	37,990	+0.3	13.8	Oil (WTI)	75.35	+2.6
EUR	1.0899	+0.0	1.0880	1.0909	NOK	10.487	-0.0	Nasdaq	15,379	+0.5	38.1	Gold	2024.3	-0.2
GBP	1.2728	+0.2	1.2687	1.2733	HKD	7.818	+0.0	Stoxx 50	4,480	+0.7	8.7	HRC steel	1070.0	+0.0
JPY	147.96	-0.1	147.62	148.30	CNY	7.193	-0.0	FTSE	7,488	+0.3	-3.6	CRB	265.4	-0.0
CAD	1.3450	+0.2			SGD	1.341	+0.0	DAX	16,683	+0.8	11.0	Wheat Chic.	606.8	+0.5
NZD/AUD	0.9264	-0.1			IDR	15,637	+0.1	CAC 40	7,413	+0.6	6.0	Sugar	23.50	-0.3
NZD/EUR	0.5599	-0.2			THB	35.59	+0.1	Nikkei	36,547	+1.6	35.8	Cotton	84.89	+1.1
NZD/GBP	0.4794	-0.4			KRW	1,339	-0.0	Shanghai	2,756	-2.7	-15.6	Coffee	192.6	+4.0
NZD/JPY	90.29	-0.3			TWD	31.34	-0.2	ASX 200	7,477	+0.7	0.3	WM powder	3390	+1.0
NZD/CAD	0.8207	-0.1			PHP	56.27	+0.6	NZX 50	11,685	+0.2	-2.2	Australian Futures		
NZ TWI	71.28	-0.2						VIX Index	13.49	+1.4	-32.0	3 year bond	96.19	0.03
												10 year bond	95.76	0.06
Interest Rates														
	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	4.22	3.74	USD	4.10	-0.03	15-May-26	4.64	0.00	BKBM 1-mth	5.58	0.00	
AUD	4.35	4.35	4.08	4.46	AUD	4.23	-0.07	15-Apr-27	4.52	0.00	BKBM 3-mth	5.65	0.00	
NZD	5.50	5.65	4.76	4.45	NZD	4.76	0.00	15-May-28	4.46	0.00	1 year	5.35	0.00	
EUR	4.00	3.96	3.02	2.69	GER	2.29	-0.05	20-Apr-29	4.46	0.00	2 year	4.76	-0.01	
GBP	5.25	5.32	4.31	3.68	GBP	3.90	-0.03	15-May-31	4.61	0.00	3 year	4.48	-0.02	
JPY	-0.01	-0.03	0.18	0.84	JPY	0.66	-0.01	15-May-32	4.67	0.00	5 year	4.32	-0.03	
CAD	5.00	5.42	4.52	3.78	CAD	3.45	-0.04	14-Apr-33	4.71	0.00	7 year	4.35	-0.04	
					NZ Inflation-Indexed Bonds			15-May-34	4.76	0.00	10 year	4.45	-0.05	
* These are indicative ranges from 5pm NZT;					Sep-30	2.48	0.00	15-May-41	5.05	0.00	15 year	4.60	-0.06	
please confirm rates with your BNZ dealer					Sep-35	2.78	0.00	15-May-51	5.04	0.00				
Rates are as of: NZT 06:55					Sep-40	3.01	0.00							
Source: Bloomberg														

NZD exchange rates

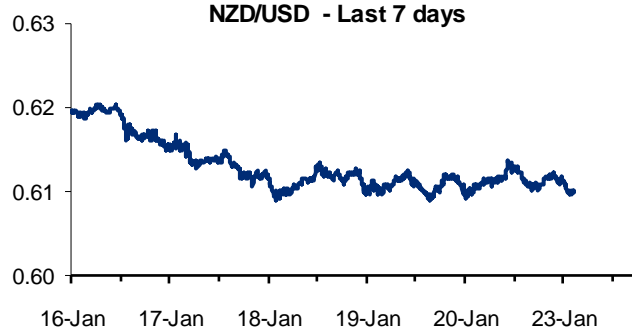
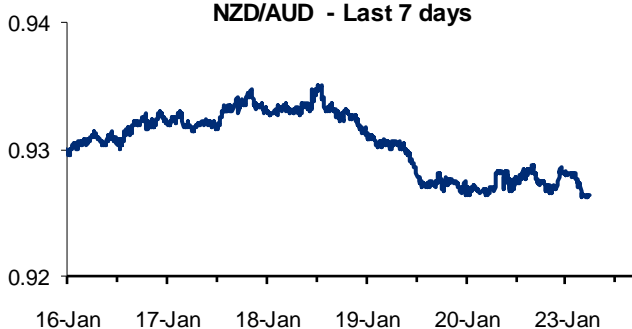
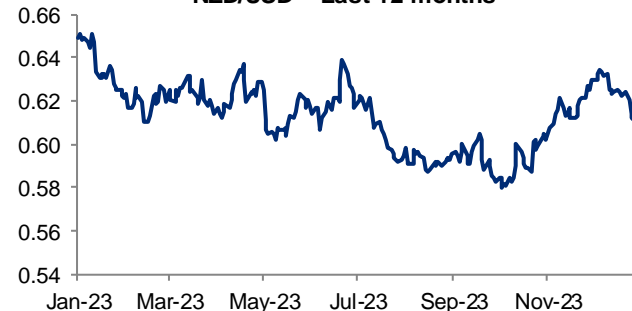
23/01/2024	6:56 am	Prev. NY close
USD	0.6102	0.6113
GBP	0.4794	0.4812
AUD	0.9264	0.9266
EUR	0.5599	0.5609
JPY	90.29	90.55
CAD	0.8207	0.8209
CHF	0.5299	0.5309
DKK	4.1754	4.1833
FJD	1.3793	1.3685
HKD	4.7707	4.7792
INR	50.69	50.81
NOK	6.3989	6.4119
PKR	171.18	171.13
PHP	34.35	34.22
PGK	2.2811	2.2793
SEK	6.3670	6.3995
SGD	0.8182	0.8196
CNY	4.3888	4.3973
THB	21.77	21.71
TOP	1.4237	1.4246
VUV	73.79	73.88
WST	1.6530	1.6524
XPF	66.64	66.83
ZAR	11.7040	11.6335

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.01	0.41
3 Months	-0.08	0.42
6 Months	-2.88	-1.68
9 Months	-8.58	-6.43
1 Year	-15.67	-12.36

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.76	-8.93
3 Months	-25.73	-24.56
6 Months	-47.78	-44.79
9 Months	-65.13	-59.74
1 Year	-78.28	-70.33

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

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