

Research Markets Today

24 January 2024

Events Round-Up

NZ: Performance of services index, Dec: 48.8 vs. 51.1 prev.
 AU: NAB business conditions, Dec: -1 vs. 9 exp.
 JN: BoJ Policy rate (%), Jan: -0.1 vs. -0.1 exp.
 JN: BoJ 10-yr yield target (%), Jan: 0 vs. 0 exp.
 EC: Consumer confidence, Jan: -16.1 vs. -14.3 exp.

Good Morning

There was subdued activity across global markets in the absence of first tier economic releases. The S&P 500 was little changed in mid-afternoon trade as investors digest mixed corporate results and look ahead for further information on the outlook for interest rates. Stocks in Hong Kong surged amid signs that policy makers would step up support. The US dollar made broad based gains and global bond yields moved higher.

Bloomberg reported that Chinese authorities are considering a range of measures to help stabilise equity markets after a significant period of weakness which has seen the Hang Seng China Enterprises Index (HSCEI) retest the pandemic lows. Policymakers are seeking to create a market stabilisation fund to buy onshore shares alongside other measures which could be announced as soon as this week if approved by top leadership. The HSCEI jumped almost 3% on the day but it still down 11% this year.

The Bank of Japan left its policy rate and yield curve control parameters unchanged which was unanimously expected by economists. The BoJ reduced its CPI forecast from 2.8% to 2.4% for the fiscal year to March 2025. The BOJ is seeing 'higher certainty' of reaching its price target, but Governor Ueda said its difficult to say exactly how close it is to an exit from ultra-easy monetary policy.

US treasury yields are modestly higher with the curve steepening. 2-year yields are up 2bps to 4.41% ahead of US\$60 billion of supply. 10-year yields increased 4bps to 4.14%. European bonds closed higher in yield with 10-year gilts increasing 9bps to 3.99% and bunds adding 6bps to 2.35%.

After a temporary dip in Asian trade, the US Dollar traded higher overnight with the dollar index (DXY) making fresh highs for the year. The DXY has gained more than 2% since the start of January and has now retraced about 50% of its

fall from the final 2 months of 2023. The dollar's gains were broad based across G10 currencies with EUR/USD trading towards 1.0820 which is the lowest level in 6-weeks. NZD/USD initially recovered from 2024 lows below 0.6070 reached in the local session yesterday. After trading to a high near 0.6115, the pairing reversed course in line with the move in the DXY. NZD cross rates are little changed with a modest outperformance against the euro and pound.

NZ government bond yields ended the local session yesterday 3-4bps lower in yield in a parallel curve shift. 10-year government bonds closed at 4.62%. The services PMI slipped back below 50 to 48.8, a 4-month low, and combined with the weak manufacturing PMI highlight the headwinds facing domestic activity. Australian 10-year bond futures are ~7bp higher in yield since the local close yesterday and combined with the move in treasuries suggest an upward bias for NZGB yields on the open.

The New Zealand Local Government Funding Agency (LGFA) is tendering bonds today. It is offering NZ\$180 million of bonds today split across 4 maturities.

The domestic focus in the day ahead will be Q4 CPI data. Our forecast is in line with the consensus for a 0.5% q/q increase. Although this is below the RBNZ's 0.8% projection from the November Monetary Policy Statement, the breakdown between tradables and non-tradables will be important given the central bank's focus on the latter. Advance PMIs are released overnight, and the Bank of Canada is expected to leave rates on hold at 5% with the first 25bps cut not priced by the market till June.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	CPI QoQ	4Q	0.5	1.8	10:45
NZ	CPI YoY	4Q	4.7	5.6	10:45
GE	Germany Manufacturing PMI	Jan P	43.7	43.3	21:30
GE	Germany Services PMI	Jan P	49.3	49.3	21:30
EC	Eurozone Manufacturing PMI	Jan P	44.7	44.4	22:00
EC	Eurozone Services PMI	Jan P	49	48.8	22:00
UK	S&P Global UK Manufacturing PMI	Jan P	46.7	46.2	22:30
UK	S&P Global UK Services PMI	Jan P	53.2	53.4	22:30
CA	Bank of Canada Rate Decision	Jan	5.0	5.0	03:45
US	S&P Global US Manufacturing PMI	Jan P	47.6	47.9	03:45
US	S&P Global US Services PMI	Jan P	51.4	51.4	03:45

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	0.6068	-0.2	0.6065	0.6117	CHF	0.8713	+0.3	S&P 500	4,849	-0.0	20.6	Oil (Brent)	79.65	-0.6
AUD	0.6562	-0.2	0.6558	0.6612	SEK	10.500	+0.3	Dow	37,837	-0.4	12.5	Oil (WTI)	74.52	-0.4
EUR	1.0835	-0.4	1.0822	1.0916	NOK	10.534	+0.2	Nasdaq	15,354	-0.0	35.1	Gold	2025.2	+0.1
GBP	1.2655	-0.4	1.2650	1.2747	HKD	7.822	+0.1	Stoxx 50	4,466	-0.3	7.6	HRC steel	1070.0	+0.0
JPY	148.54	+0.3	146.99	148.60	CNY	7.174	-0.2	FTSE	7,486	-0.0	-3.8	CRB	267.0	+0.6
CAD	1.3488	+0.1			SGD	1.342	+0.0	DAX	16,627	-0.3	10.1	Wheat Chic.	607.3	+0.1
NZD/AUD	0.9247	-0.0			IDR	15,637	+0.0	CAC 40	7,388	-0.3	5.1	Sugar	23.81	+1.1
NZD/EUR	0.5600	+0.3			THB	35.74	+0.4	Nikkei	36,518	-0.1	33.8	Cotton	84.68	-0.1
NZD/GBP	0.4795	+0.3			KRW	1,333	-0.4	Shanghai	2,771	+0.5	-15.1	Coffee	191.7	-0.4
NZD/JPY	90.13	+0.1			TWD	31.34	+0.0	ASX 200	7,515	+0.5	0.3	W/M powder	3390	+0.0
NZD/CAD	0.8185	-0.1			PHP	56.16	-0.2	NZX 50	11,803	+1.0	-1.1	Australian Futures		
NZ TWI	70.97	-0.1						VIX Index	12.94	-1.9	-34.7	3 year bond	96.24	0.05
Interest Rates												10 year bond 95.72 -0.04		
	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	4.24	3.78	USD	4.15	0.04	15-May-26	4.56	-0.08	BKBM 1-mth	5.58	0.00	
AUD	4.35	4.35	4.08	4.50	AUD	4.19	-0.04	15-Apr-27	4.42	-0.09	BKBM 3-mth	5.65	0.00	
NZD	5.50	5.65	4.74	4.41	NZD	4.67	-0.09	15-May-28	4.37	-0.09	1 year	5.32	-0.03	
EUR	4.00	3.95	3.05	2.75	GER	2.35	0.06	20-Apr-29	4.37	-0.09	2 year	4.74	-0.01	
GBP	5.25	5.32	4.37	3.75	GBP	3.99	0.08	15-May-31	4.52	-0.09	3 year	4.45	-0.03	
JPY	-0.01	-0.03	0.20	0.88	JPY	0.67	0.01	15-May-32	4.58	-0.09	5 year	4.28	-0.04	
CAD	5.00	5.42	4.52	3.84	CAD	3.50	0.04	14-Apr-33	4.62	-0.09	7 year	4.31	-0.04	
					NZ Inflation-Indexed Bonds			15-May-34	4.67	-0.09	10 year	4.41	-0.04	
* These are indicative ranges from 5pm NZT;					Sep-30	2.41	-0.07	15-May-41	4.96	-0.10	15 year	4.56	-0.04	
please confirm rates with your BNZ dealer					Sep-35	2.72	-0.06	15-May-51	4.95	-0.10				
Rates are as of: NZT 06:28					Sep-40	2.96	-0.06							
Source: Bloomberg														

NZD exchange rates

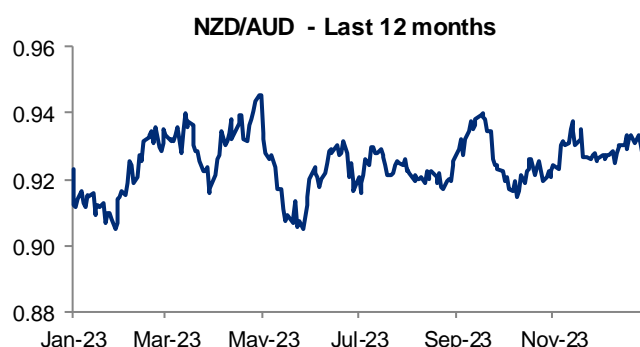
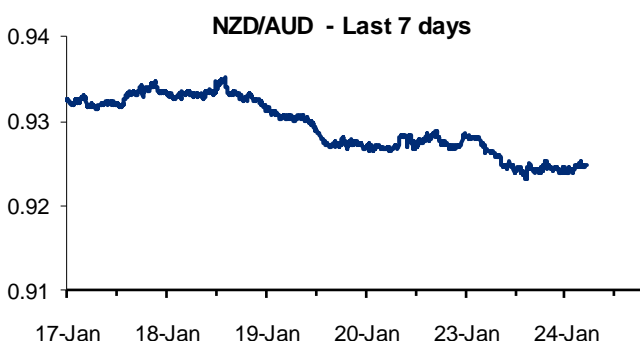
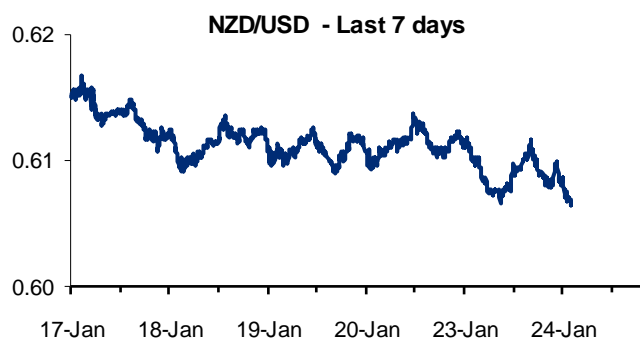
24/01/2024	6:28 am	Prev. NY close
USD	0.6068	0.6077
GBP	0.4795	0.4782
AUD	0.9247	0.9250
EUR	0.5600	0.5584
JPY	90.13	90.00
CAD	0.8185	0.8191
CHF	0.5287	0.5282
DKK	4.1759	4.1649
FJD	1.3738	1.3758
HKD	4.7464	4.7506
INR	50.46	50.48
NOK	6.3917	6.3891
PKR	169.81	170.48
PHP	34.08	34.21
PGK	2.2684	2.2642
SEK	6.3716	6.3598
SGD	0.8142	0.8155
CNY	4.3532	4.3699
THB	21.66	21.68
TOP	1.4171	1.4262
VUV	73.43	73.54
WST	1.6515	1.6432
XPF	66.47	66.49
ZAR	11.5625	11.6693

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.01	0.25
3 Months	-0.19	0.31
6 Months	-3.40	-2.14
9 Months	-8.25	-6.03
1 Year	-14.08	-10.69

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.21	-8.59
3 Months	-25.85	-24.67
6 Months	-48.09	-44.96
9 Months	-63.92	-58.56
1 Year	-75.70	-67.57



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