

# Research Markets Today

25 March 2024

## Events Round-Up

NZ: Trade balance (ann \$b), Feb: -11.2 vs. -12.5 exp.  
 JN: CPI (y/y%), Feb: 2.8 vs. 2.9 exp.  
 JN: CPI x fresh food, energy (y/y%), Feb: 3.2 vs. 3.3 exp.  
 UK: GfK consumer confidence, Mar -21 vs. -19 exp.  
 UK: Retail Sales ex auto fuel (m/m%), Feb: 0.2 vs. -0.1  
 GE: IFO expectations, Mar: 87.5 vs. 84.7 exp.  
 CA: Retail sales ex auto (m/m%), Jan: 0.5 vs -0.5 exp.

## Good Morning

Global equity markets were mixed with the S&P ending little changed on the day but 2.3% higher over the course of last week, which was the largest advance in 3 months. In the absence of first tier economic data, US treasuries yields declined, and the US dollar advanced. The Chinese yuan reached the lowest level against the US dollar in 4 months weighing on Australasian currencies.

The yuan fell sharply after authorities set the daily reference rate weaker than expected, leading to speculation a further decline may be tolerated. The central bank had been keeping USD/CNY stable near 7.20. Policy makers are balancing the desire to provide stimulus to the economy at the same time as avoiding capital flight. The move follows earlier comments from PBOC deputy governor, Xuan Changneng, who said there is still room for the reserve requirement ratio to decline.

Atlanta Fed President Raphael Bostic said he is less confident on the trajectory of inflation than in December and now projects a single 25bps rate cut this year. He outlined incoming data will be important and is concerned about the breadth of items in the CPI basket rising at an elevated rate. He previously expected the Fed to cut twice in 2024 beginning near the middle of the year.

UK retail sales beat expectations in February and previous months were also revised higher. This suggests some resilience in activity after the economy has been in a technical recession during the second half of last year. The Bank of England (BOE) is shifting closer to interest rate cuts. BOE governor Andrew Bailey said in a Financial Times interview that markets were right to expect more than one rate cut this year. There is close to an 80% chance of a cut by June indicated by market pricing. This could weigh on

speculative long GBP positions, which are at historical stretched levels, according to Commodity Futures Trading Commission (CFTC) data.

Global bonds moved lower in yield to end the week. UK gilts looked past the stronger than expected retail sales and fell ~6bps. 10-year bunds closed 8bps lower at 2.32% despite a stronger than anticipated Ifo expectations index, which reached the highest level since May. US treasuries ended ~6bps lower in yield in a largely parallel curve shift. 10-year treasuries closed on the weekly low at 4.19%.

Absolute yields and expectations of global central bank easing are contributing to record investor inflows into US corporate bond funds. EPFR reports flows have reached \$22.8bn in 2024, which has helped compress spreads, to the lowest level in 2 years. The bulk of investor allocations have gone into investment grade funds though lower rated credit spreads have also tightened amid strong investor demand.

The US dollar moved higher and closed near the weekly highs having fully reversed the post-FOMC dip. Amongst the majors EUR/USD slipped towards 1.08 while USD/JPY ended marginally lower. Speculative accounts have added to yen shorts according to CFTC data. The rate hike by Bank of Japan did little to narrow yield differentials and the yen remains a common funder of carry trades.

Yuan weakness weighed on NZD/USD and contributed to the fall below 0.6000 in offshore trade. This is a new low for the year and represents a break of previous support in the 0.6030/40 region.

NZ yields were little changed the local session on Friday. 10-year government bonds ended flat at 4.59%. Australian 3-year and 10-year bond futures are ~3bp lower in yield, since the local close on Friday, suggesting a downward bias for NZ yields on the open. There is no domestic data today and a quiet international calendar to start the week.

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## Coming Up

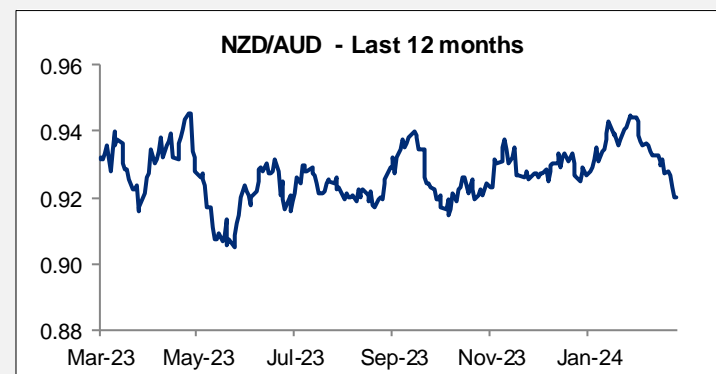
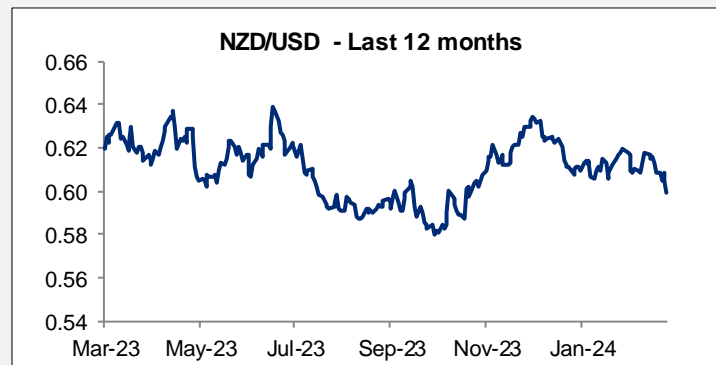
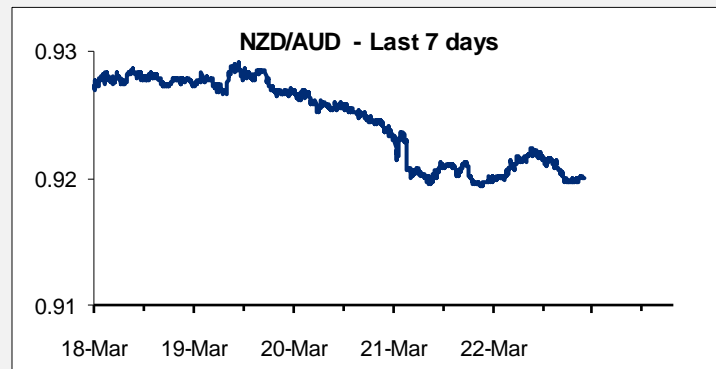
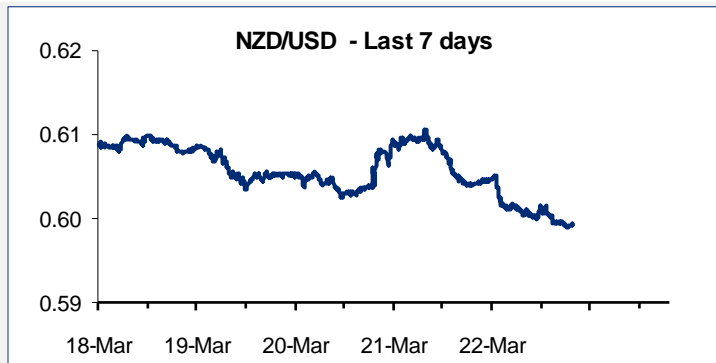
	Period	Cons.	Prev.	NZT
US	New Home Sales	Feb	675	661 03:00

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	0.5993	-0.8	0.0000	0.0000	CHF	0.8975	+0.0	S&P 500	5,234	-0.1	31.8	Oil (Brent)	85.43	-0.4
AUD	0.6515	-0.8	0.0000	0.0000	SEK	10.564	+0.9	Dow	39,476	-0.8	22.5	Oil (WTI)	80.63	-0.5
EUR	1.0809	-0.5	0.0000	0.0000	NOK	10.756	+0.8	Nasdaq	16,429	+0.2	38.9	Gold	2160.0	-1.1
GBP	1.2601	-0.5	0.0000	0.0000	HKD	7.822	+0.0	Stoxx 50	5,031	-0.4	21.8	HRC steel	794.0	+0.0
JPY	151.44	-0.1	0.00	0.00	CNY	7.229	+0.4	FTSE	7,931	+0.6	7.1	CRB	285.8	-0.3
CAD	1.3607	+0.5			SGD	1.349	+0.3	DAX	18,206	+0.1	21.7	Wheat Chic.	569.5	+1.3
NZD/AUD	0.9199	+0.0			IDR	15,783	+0.7	CAC 40	8,152	-0.3	16.2	Sugar	21.85	-1.0
NZD/EUR	0.5545	-0.4			THB	36.37	+0.2	Nikkei	40,888	+0.2	49.3	Cotton	91.53	-0.7
NZD/GBP	0.4756	-0.3			KRW	1,338	+1.2	Shanghai	3,048	-0.9	-6.7	Coffee	184.9	-0.5
NZD/JPY	90.76	-0.9			TWD	31.97	+0.3	ASX 200	7,771	-0.1	11.7	WM powder	3030	+0.2
NZD/CAD	0.8155	-0.3			PHP	56.29	+0.4	NZX 50	11,979	+0.5	3.4	<b>Australian Futures</b>		
NZ TWI	70.58	-0.4						VIX Index	13.06	+1.1	-39.9	3 year bond	96.38	0.04
<b>Interest Rates</b>														
	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	5.57	4.48	3.84	USD	4.20	-0.07	15-May-26	4.59	0.02	BKBM 1-mth	5.59	0.00	
AUD	4.35	4.35	3.95	4.25	AUD	4.04	-0.06	15-Apr-27	4.41	0.02	BKBM 3-mth	5.64	0.00	
NZD	5.50	5.64	4.85	4.40	NZD	4.58	-0.00	15-May-28	4.34	0.02	1 year	5.34	-0.01	
EUR	4.00	3.90	3.15	2.62	GER	2.32	-0.08	20-Apr-29	4.34	0.02	2 year	4.85	0.01	
GBP	5.25	5.30	4.36	3.67	GBP	3.93	-0.07	15-May-30	4.38	0.02	3 year	4.55	0.01	
JPY	0.08	-0.03	0.32	0.87	JPY	0.74	0.00	15-May-31	4.435	0.02	5 year	4.34	0.00	
CAD	5.00	5.30	4.44	3.77	CAD	3.44	-0.08	15-May-32	4.49	0.01	7 year	4.33	0.00	
								14-Apr-33	4.53	0.00	10 year	4.40	0.00	
								15-May-34	4.58	-0.00	15 year	4.52	0.00	
								15-May-37	4.74	-0.01				
								15-May-41	4.85	-0.01				
								15-May-51	4.84	-0.01				
								15-May-54	4.87	-0.01				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer						<b>NZ Inflation-Indexed Bonds</b>								
Rates at NY close						Sep-30	2.27	0.00						
						Sep-35	2.58	0.00						
						Sep-40	2.77	0.00						
Source: Bloomberg														

**NZD exchange rates**

24/03/2024	NY close	Prev. NY close
USD	0.5993	0.6044
GBP	0.4756	0.4775
AUD	0.9199	0.9199
EUR	0.5545	0.5565
JPY	90.76	91.64
CAD	0.8155	0.8178
CHF	0.5378	0.5424
DKK	4.1357	4.1507
FJD	1.3603	1.3721
HKD	4.6867	4.7273
INR	49.99	50.26
NOK	6.4449	6.4466
PKR	166.65	168.24
PHP	33.73	33.87
PGK	2.2594	2.2713
SEK	6.3302	6.3261
SGD	0.8081	0.8123
CNY	4.3317	4.3514
THB	21.79	21.79
TOP	1.3883	1.4245
VUV	72.49	73.13
WST	1.6307	1.6420
XPF	65.76	66.28
ZAR	11.4025	11.3760



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.16	0.26
3 Months	-0.47	0.47
6 Months	-2.78	-0.52
9 Months	-5.74	-1.86
1 Year	-9.10	-2.48

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.47	-7.46
3 Months	-24.31	-22.30
6 Months	-48.04	-43.15
9 Months	-68.54	-61.05
1 Year	-86.17	-71.71

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