

Research Markets Today

26 February 2024

Events Round-Up

NZ: Real retail sales (q/q%), Q4: -1.9 vs. -0.2 exp.
 UK: GfK consumer confidence, Feb: -21 vs. -18 exp.
 GE: IFO expectations, Feb: 84.1 vs. 84.0 exp.

Good Morning

US equity indices ended little changed on Friday after a week where major global indices in Japan, Europe and North America reach record highs. There was limited economic data or other catalysts to provide direction with the S&P confined to a narrow range. Global bond yields moved lower, and currency markets were little changed.

The Ifo Institute business sentiment index edged higher in February. The expectations index has been largely moving sideways since June and the Ifo president said the economy is stabilising, albeit at a low level. The advance composite PMI, released earlier last week, also pointed to subdued activity. Consensus estimates are for the economy to flatline in Q1 after the 0.3% q/q contraction in Q4-23.

ECB president Lagarde said the latest euro-area wage data is encouraging though the central bank will require additional data to be confident that inflation won't pick up again. She outlined 'the Governing Council needs to be more confident that the disinflation process that we are observing is sustainable and will take us to the 2% medium term target'.

The market is pricing the first 25bps rate cut at the ECB's June meeting and close to 100bps of easing through 2024. President Lagarde commented that the ECB's policy was independent of other central banks. Market pricing implies a higher chance of the ECB cutting rates ahead of the US Federal Reserve where there is not a full rate cut priced by the June FOMC.

New York Fed president Williams said the economy is headed in the right direction, and it will likely be appropriate to cut rates later this year. At some point he expects it will be appropriate to 'pull back on restrictive policy'. Fed speakers have maintained a united front, and have indicated patience on rate cuts, alongside the desire to see further data to confirm the disinflationary process.

2-year treasury yields ended 2bps lower at 4.69%, having reached the highest level since mid-December, earlier in the session. The yield curve bull-flattened with 10-year yields falling 7bps to 4.25%. The 2y/10y curve reached the most inverted level for this year at -44bps. The flattening bias is also notable at the long end of the curve. The spread between 30 and 10-year bond yields has tightened to 12bps from 25bps at the start of February.

There has been strong demand for fixed income following the move higher in yields over recent weeks. The latest CFTC data reveals significant bond futures buying across the curve by speculative accounts. Separately, major bond funds have reported large inflows. Issuers are taking advantage of robust investor demand. US investment grade issuance volumes are expected to reach a record for the month of February with investor appetite not impacted by the tightest credit spreads in more than 2 years.

Currency markets were broadly subdued with the US dollar index (DXY) oscillating in a narrow range. After rising for 7 consecutive weeks, the DXY edged lower from the preceding Friday. NZD/USD dipped in early European trade before recovering to close to 0.6200 with limited directional bias on the major crosses.

NZ fixed income yields moved higher in the local session on Friday. The government curve ended 2bps higher in a parallel shift with 10-year bonds closing at 4.86%. The market largely looked past dire retail sales data. Retail sales volumes fell 1.9% in Q4, which was much weaker than expectations, and indicated the retail recession has continued to deepen. Bonds outperformed swaps with 10-year swap spreads near the lows from the past 4 months.

Australian 3 and 10-year bond futures are ~5bps lower in yield since the local close on Friday suggesting a downward bias to NZ yields on the open. It is a quiet start to the week from a data perspective with no domestic or international first-tier releases.

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Coming Up

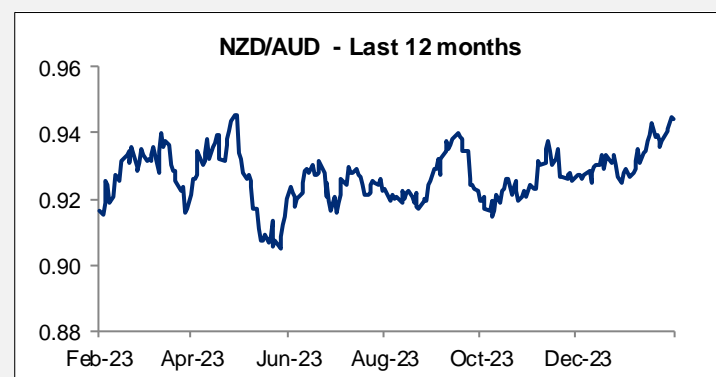
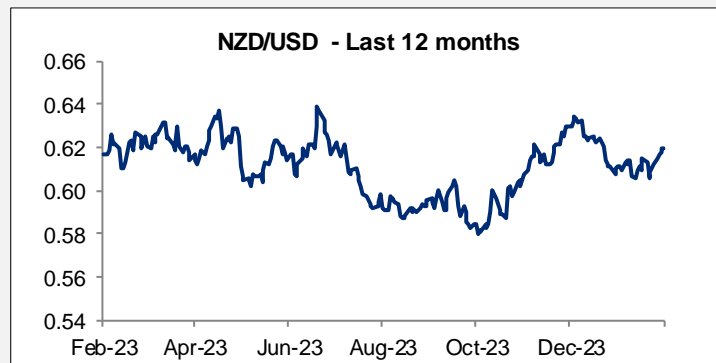
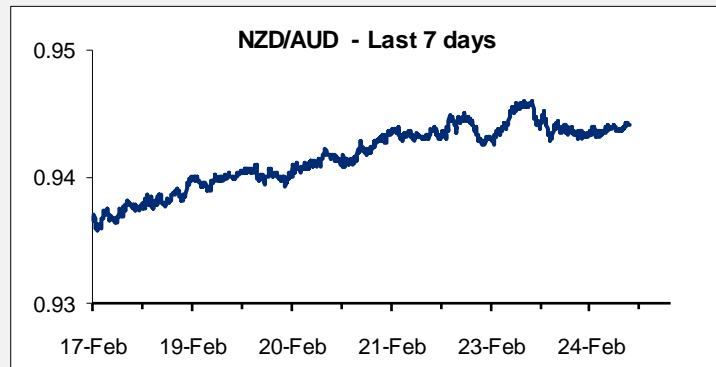
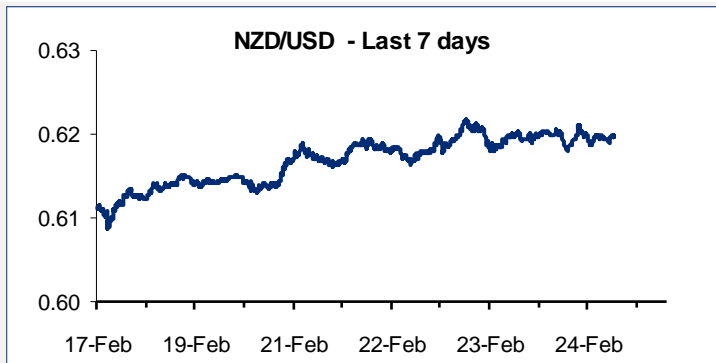
	Period	Cons.	Prev.	NZT
US	New Home Sales	Jan	684	664 04:00

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	0.6198	+0.0	0.6181	0.6211	CHF	0.8809	+0.0	S&P 500	5,089	+2.1	26.8	Oil (Brent)	81.62	-0.3
AUD	0.6564	+0.2	0.6551	0.6581	SEK	10.329	-0.1	Dow	39,132	+1.2	18.0	Oil (WTI)	76.49	-0.4
EUR	1.0821	+0.0	1.0812	1.0840	NOK	10.535	-0.0	Nasdaq	15,997	+3.0	38.0	Gold	2038.6	+0.3
GBP	1.2671	+0.0	1.2649	1.2701	HKD	7.824	+0.0	Stoxx 50	4,873	+1.7	14.4	HRC steel	922.0	+0.2
JPY	150.54	-0.0	150.30	150.77	CNY	7.196	+0.0	FTSE	7,706	+0.3	-2.5	CRB	270.8	+0.0
CAD	1.3509	+0.0			SGD	1.343	-0.0	DAX	17,419	+1.5	12.6	Wheat Chic.	569.0	+0.3
NZD/AUD	0.9442	-0.1			IDR	15,598	-0.0	CAC 40	7,967	+1.3	8.9	Sugar	22.62	+0.3
NZD/EUR	0.5727	+0.1			THB	35.96	+0.1	Nikkei	39,099	+2.2	44.3	Cotton	94.93	-0.3
NZD/GBP	0.4891	+0.1			KRW	1,331	+0.1	Shanghai	3,005	-0.1	-8.0	Coffee	180.3	-2.6
NZD/JPY	93.30	+0.0			TWD	31.56	+0.2	ASX 200	7,644	+0.4	4.6	WM powder	3360	+0.0
NZD/CAD	0.8372	+0.1			PHP	55.92	+0.2	NZX 50	11,720	+0.1	-1.6	Australian Futures		
NZ TWI	72.60	+0.0						VIX Index	13.75	-5.4	-35.0	3 year bond	96.21	-0.05
Interest Rates										10 year bond			95.82	0.03
	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	5.59	4.56	3.88	USD	4.25	-0.07	15-May-26	4.97	0.03	BKBM 1-mth	5.66	0.01	
AUD	4.35	4.34	4.05	4.39	AUD	4.20	0.04	15-Apr-27	4.80	0.03	BKBM 3-mth	5.73	0.02	
NZD	5.50	5.73	5.28	4.73	NZD	4.86	0.03	15-May-28	4.72	0.03	1 year	5.72	0.03	
EUR	4.00	3.95	3.19	2.70	GER	2.36	-0.08	20-Apr-29	4.70	0.03	2 year	5.28	0.05	
GBP	5.25	5.33	4.55	3.83	GBP	4.04	-0.07	15-May-30	4.72	0.03	3 year	4.97	0.05	
JPY	-0.01	-0.03	0.26	0.89	JPY	0.72	0.00	15-May-31	4.75	0.03	5 year	4.72	0.05	
CAD	5.00	5.33	4.56	3.80	CAD	3.46	-0.08	15-May-32	4.78	0.02	7 year	4.69	0.04	
								14-Apr-33	4.82	0.02	10 year	4.73	0.04	
								15-May-34	4.86	0.03	15 year	4.83	0.04	
								15-May-37	4.99	0.03				
								15-May-41	5.09	0.03				
								15-May-51	5.06	0.02				
								15-May-54	5.06	0.03				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer					NZ Inflation-Indexed Bonds									
Rates at NY close					Sep-30	2.48	0.01							
					Sep-35	2.79	0.01							
					Sep-40	2.97	0.01							
Source: Bloomberg														

NZD exchange rates

24/02/2024	NY close	Prev. NY close
USD	0.6198	0.6195
GBP	0.4891	0.4893
AUD	0.9442	0.9448
EUR	0.5727	0.5724
JPY	93.30	93.25
CAD	0.8372	0.8352
CHF	0.5459	0.5453
DKK	4.2694	4.2667
FJD	1.3898	1.3994
HKD	4.8487	4.8459
INR	51.40	51.40
NOK	6.5284	6.5085
PKR	173.08	173.18
PHP	34.65	34.52
PGK	2.3271	2.3263
SEK	6.4010	6.3989
SGD	0.8323	0.8320
CNY	4.4596	4.4549
THB	22.38	22.21
TOP	1.4422	1.4420
VUV	74.88	74.56
WST	1.6867	1.6871
XPF	68.65	68.62
ZAR	11.9691	11.8718



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.22	0.24
3 Months	-1.58	-0.42
6 Months	-7.59	-3.85
9 Months	-15.49	-10.28
1 Year	-24.95	-17.60

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.81	-7.72
3 Months	-28.51	-25.96
6 Months	-60.31	-53.13
9 Months	-89.71	-80.01
1 Year	-117.90	-102.39

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