

Research Markets Today

27 February 2024

Events Round-Up

US: New home sales (k), Jan: 661 vs. 684 exp.

Good Morning

It has been a quiet start to a busy week, with little newsflow. The NZD and AUD have kicked off the week on a softer note, the former sustaining the modest fall seen during NZ trading hours, as traders pared long positions ahead of the RBNZ's MPS. Global rates are higher, led by Europe, seeing the US 10-year rate up 6bps overnight versus the NZ close. US equities are flat.

The economic calendar in the week ahead is packed with some key releases including the PCE deflators and the ISM manufacturing survey in the US, CPI figures for Japan, Germany and the euro area and the monthly Australian CPI indicator as well. Canadian GDP, China PMIs and Australian retail sales round out the global calendar. Domestically the focus will be the RBNZ's MPS on Wednesday.

Overnight, the only economic release of note was US new home sales which rose 1.5% m/m in January to 661k, weaker than the 3% lift expected and prior data were revised lower. Median prices continued to trend lower, as more homes became available.

Global rates have pushed higher overnight, led by Europe, with a steady lift in German bund yields as soon as Europe opened without any obvious triggers, although the move higher simply reversed Friday's fall. Germany's 2 and 10-year rate are up 7-8bps on the day. ECB President Lagarde spoke in the European Parliament, but we didn't detect any new messages. She noted increasing signs of a bottoming out in growth and some forward-looking indicators point to a pick-up later this year. Wage pressures remained strong, but she expected inflation to continue slowing down. On policy she reiterated the ECB's January policy guidance.

Higher European rates spilled over into higher US Treasury yields while some heavy supply today likely contributed as well, with a record-sized auction of \$63b of 2-year notes and \$65b of 5-year notes. For the former, there was a slight tail, despite higher rates leading up to the event and with yields close to their highest level this year. The results of the 5-year auction will be released after we go to print.

Since Friday's close, US Treasury yields rates are 3-4bps higher across the curve. Rates were lower during the NZ trading session and since the NZ close the 10-year rate has lifted 6bps to just under 4.30%.

In the currency market, the NZD was broadly weaker during NZ trading hours. Long positions in the NZD were pared ahead of Wednesday's RBNZ MPS, where there is a strong consensus for no change in rates, even if market pricing for the meeting slipped a touch to around a 25% chance. CFTC data have been showing long positions in the NZD building over recent weeks such that net long positions as a percentage of open interest were near its highest level in a year on the most recent figures as at 20-February.

After opening around 0.62, by the local close the NZD had fallen to around 0.6165 and was broadly weaker on the crosses as well, but overnight it has been relatively steady and currently sits near 0.6170. NZD/AUD fell towards 0.94 but overnight a weaker AUD has seen the cross push back up to 0.9445. Higher European rates compared to other markets have helped support EUR, which is up to 1.0850 and NZD/EUR is down 0.6% since last week's close to 0.5690. Higher global rates drove a weaker yen, with USD/JPY pushing up to 150.80 and NZD/JPY only slightly weaker, hanging in there just over 93.

Yesterday, global forces pushed down NZ rates, although NZGBs underperformed on a cross-market basis and against swaps. NZGB yields fell 3-5bps across the curve with a flattening bias. The 10-year rate fell 4bps to 4.82%. Swap yields fell 6-8bps, with the 2-year rate down 7bps to 5.21% and the 10-year rate down 8bps to 4.66%. OIS yields were down 1-3bps, seeing pricing for this week's meeting down to a 25% chance of a 25bps hike and just over a better-than-even chance of a hike priced by the May meeting.

Japan CPI data today are expected to show weaker annual inflation for both the headline and core, the former dropping below 2% for the first time in nearly two years, making it increasingly awkward for the BoJ to undertake a hawkish pivot. Tonight sees the release of US durable goods orders and consumer confidence data.

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Coming Up

		Period	Cons.	Prev.	NZT
JN	CPI (y/y%)	Jan	1.9	2.6	12:30
JN	CPI ex fr. food, energy (y/y%)	Jan	3.3	3.7	12:30
GE	GfK consumer confidence	Mar	-29.0	-29.7	20:00
US	Durable goods orders (m/m%)	Jan	-5.0	0.0	02:30
US	Durables ex transport. (m/m%)	Jan	0.2	0.5	02:30
US	Conf. Board consumer confid.	Feb	115.0	114.8	04:00

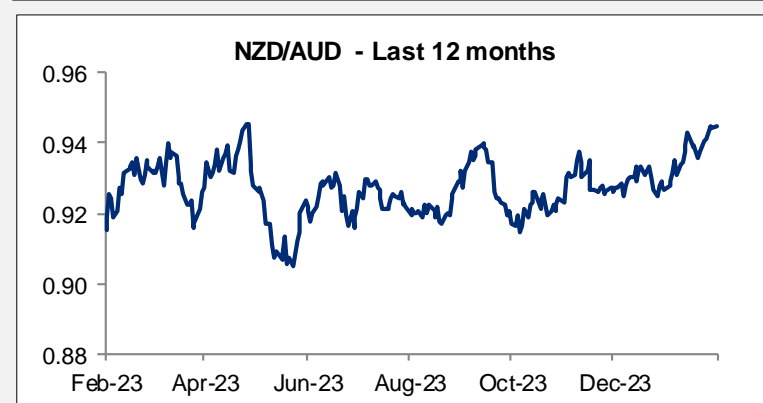
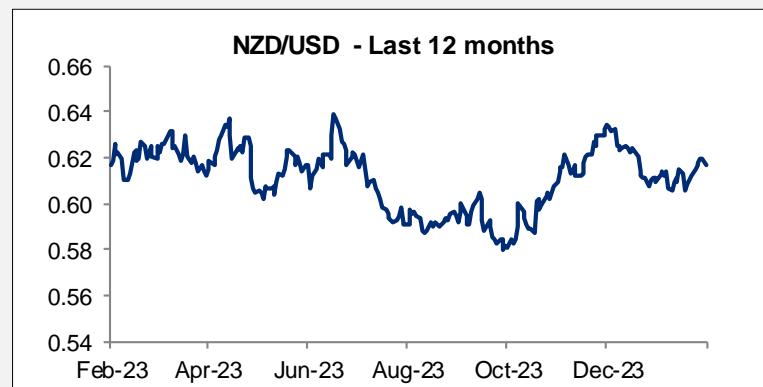
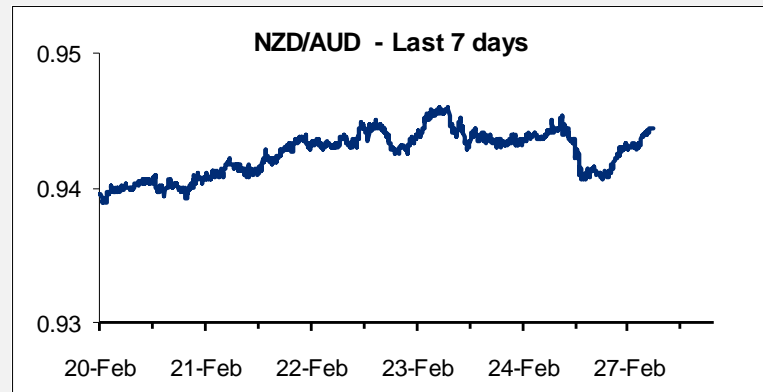
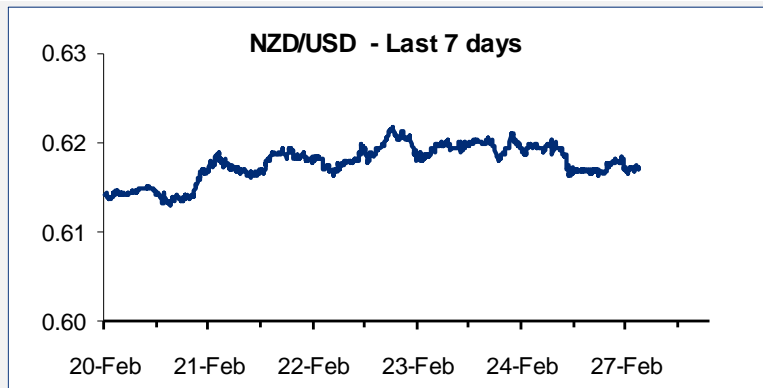
Source: Bloomberg, BNZ

Currencies						Equities				Commodities					
Indicative overnight ranges (*)					Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.6172	-0.4	0.6163	0.6185	CHF	0.8810	+0.0		S&P 500	5,086	-0.1	28.1	Oil (Brent)	82.75	+1.4
AUD	0.6534	-0.4	0.6533	0.6559	SEK	10.294	-0.3		Dow	39,125	-0.0	19.2	Oil (WTI)	77.70	+1.6
EUR	1.0844	+0.2	1.0822	1.0860	NOK	10.521	-0.1		Nasdaq	16,018	+0.1	40.6	Gold	2024.8	-0.7
GBP	1.2674	+0.0	1.2663	1.2700	HKD	7.824	-0.0		Stoxx 50	4,864	-0.2	16.4	HRC steel	922.0	+0.0
JPY	150.75	+0.2	150.37	150.84	CNY	7.198	+0.0		FTSE	7,684	-0.3	-2.5	CRB	270.8	-1.2
CAD	1.3519	+0.1			SGD	1.345	+0.1		DAX	17,423	+0.0	14.6	Wheat Chic.	571.3	+0.4
NZD/AUD	0.9446	+0.1			IDR	15,630	+0.2		CAC 40	7,930	-0.5	10.3	Sugar	23.35	+3.3
NZD/EUR	0.5692	-0.6			THB	35.95	-0.0		Nikkei	39,234	+0.3	43.1	Cotton	94.88	-0.1
NZD/GBP	0.4870	-0.4			KRW	1,331	+0.0		Shanghai	2,977	-0.9	-8.6	Coffee	179.8	-0.3
NZD/JPY	93.04	-0.3			TWD	31.56	+0.0		ASX 200	7,653	+0.1	5.9	WM powder	3360	+0.0
NZD/CAD	0.8344	-0.3			PHP	56.09	+0.3		NZX 50	11,710	-0.1	-0.7	Australian Futures		
NZ TWI	72.38	-0.3						VIX Index	13.81	+0.4	-36.3	3 year bond	96.29	0.07	
Interest Rates												10 year bond 95.84 -0.01			
	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	Last	Chg			
USD	5.50	5.59	4.59	3.91	USD	4.30	0.05	15-May-26	4.93	-0.03	BKBM 1-mth	5.66	0.00		
AUD	4.35	4.34	4.05	4.42	AUD	4.10	-0.10	15-Apr-27	4.77	-0.03	BKBM 3-mth	5.72	-0.01		
NZD	5.50	5.72	5.21	4.66	NZD	4.82	-0.04	15-May-28	4.69	-0.03	1 year	5.69	-0.04		
EUR	4.00	3.93	3.26	2.78	GER	2.44	0.08	20-Apr-29	4.67	-0.03	2 year	5.21	-0.07		
GBP	5.25	5.33	4.59	3.90	GBP	4.16	0.13	15-May-30	4.69	-0.04	3 year	4.90	-0.06		
JPY	-0.01	-0.03	0.26	0.86	JPY	0.69	-0.03	15-May-31	4.71	-0.04	5 year	4.65	-0.07		
CAD	5.00	5.33	4.59	3.85	CAD	3.50	0.04	15-May-32	4.74	-0.04	7 year	4.62	-0.08		
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer Rates are as of: NZT 06:52						NZ Inflation-Indexed Bonds		14-Apr-33	4.78	-0.04	10 year	4.66	-0.08		
						Sep-30	2.46	-0.02	15-May-34	4.82	-0.04	15 year	4.76	-0.08	
						Sep-35	2.77	-0.02	15-May-37	4.94	-0.05				
						Sep-40	2.95	-0.02	15-May-41	5.03	-0.05				
							15-May-51	5.01	-0.05						
							15-May-54	5.01	-0.05						

Source: Bloomberg

NZD exchange rates

27/02/2024	6:52 am	Prev. NY close
USD	0.6172	0.6197
GBP	0.4870	0.4890
AUD	0.9446	0.9444
EUR	0.5692	0.5727
JPY	93.04	93.27
CAD	0.8344	0.8369
CHF	0.5438	0.5459
DKK	4.2426	4.2694
FJD	1.3932	1.3898
HKD	4.8288	4.8487
INR	51.16	51.40
NOK	6.4934	6.5284
PKR	172.32	173.08
PHP	34.62	34.65
PGK	2.3090	2.3271
SEK	6.3533	6.4010
SGD	0.8299	0.8323
CNY	4.4424	4.4596
THB	22.29	22.21
TOP	1.4397	1.4422
VUV	74.61	74.88
WST	1.6795	1.6867
XPF	68.30	68.65
ZAR	11.9389	11.9691



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.17	0.22
3 Months	-1.23	-0.65
6 Months	-5.73	-4.53
9 Months	-12.27	-10.27
1 Year	-20.40	-17.39

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.74	-7.91
3 Months	-27.59	-26.27
6 Months	-57.70	-54.43
9 Months	-85.81	-80.62
1 Year	-111.77	-104.06

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