

Research Markets Today

27 March 2024

Events Round-Up

AU: Westpac consumer confid., Mar: 84.4 vs. 86.0 prev.
 GE: GfK consumer confidence, Apr: -27.4 vs. -28 exp.
 US: Durable goods orders (m/m%), Feb: 1.4 vs. 1.0 exp.
 US: Durables ex transport (m/m%), Feb: 0.5 vs. 0.4 exp.
 US: Conf. Board consumer confid., Mar: 104.7 vs. 107 exp.

Good Morning

Market price action has been limited by a lack of newsflow. Currency movements has been remarkably well contained, with the NZD steady just over the 0.60 mark. Global equity markets show small gains while global rates also show only small movements.

It has been another uneventful trading session with no catalysts to significantly impact the market. US data releases were mixed, with conflicting evidence on the state of the economy.

The Conference Board measure of US consumer confidence was steady in March, after a downwardly revised February, leaving it a little softer than market expectations, driven by the expectations component. The latter fell to 73.8, the lowest since October. Interestingly the labour market variables showed some tightening in the market, with the difference between consumers saying jobs were currently plentiful less those saying jobs were hard to get, rising to an eight-month high.

The durables good orders report was also a mixed bag, with headline orders up 1.4% m/m, but with downward revisions, the ex-transportation measure rising slightly more than expected at 0.5% m/m, but core shipments that feed into GDP falling 0.4% m/m. Not surprisingly, the market reaction to this hodge podge of figures has been limited. The US 10-year Treasury yield is a touch higher from the NZ close, currently trading at 4.24%, while the 2-year is down slightly at 4.60%.

The BoE's Mann, one of the most hawkish members on the MPC, said she switched her vote from a hike to on-hold because the labour market is softening, consumers are spending less on discretionary services, and the market was pricing in fewer cuts than earlier in the year. However,

she said the market was still pricing in too many cuts this year, making her less inclined to vote for a cut, with market pricing already feeding into lower borrowing rates. She pushed back the idea that the BoE could be easing ahead of the Fed or ECB, given the stronger comparative inflation dynamics in the UK.

Her comments had little impact on the market, and net currency movements for the day have been insignificant, all contained to within plus or minus 0.1% against the USD for the key majors we follow. The NZD is tracking just over the 0.60 mark. Yesterday, the PBoC offered another strong CNY reference rate fixing to help contain speculation in the market and this helped support the NZD and AUD. The AUD is flat around 0.6540 and NZD/AUD is slightly higher at 0.9195.

Global forces sent NZ rates higher yesterday, while the bond market was also impacted by the announcement by NZDM of the syndication panel for a new 2035 nominal bond to be issued. We expect this to be launched just after Easter. The news resulted in NZGBs underperforming, as the market made room for the new issue. NZGB yields were 4-7bps higher with a steeper curve, and with swap yields up 2-4bps by comparison.

In the day ahead NZ consumer confidence data are released, ahead of the government's annual Budget Policy Statement. This Statement will contain new Treasury economic forecasts, which will make for grim reading, raising the prospect of larger fiscal deficits ahead and more borrowing. Australian monthly CPI data are expected to show a small lift in inflation in February, from January, up 3.5% y/y according to the consensus.

jason.k.wong@bnz.co.nz

Coming Up

| | | Period | Cons. | Prev. | NZT |
|----|-------------------------|--------|-------|-------|-------|
| NZ | ANZ consumer confidence | Mar | | 94.5 | 10:00 |
| NZ | Budget Policy Statement | | | | 13:00 |
| AU | CPI (y/y%) | Feb | 3.5 | 3.4 | 13:30 |
| EC | Economic confidence | Mar | 96.2 | 95.4 | 23:00 |

Source: Bloomberg, BNZ

| Currencies | | | | | | | Equities | | | | Commodities | | | | |
|---|--------|---------------------------------|-------------|--------|-----------------------|---------|-----------------------------------|-----------|--------|----------------------------------|-------------|---------------------------|--------|-------|--|
| Global froces | | Indicative overnight ranges (*) | | | Other FX | | Major Indices | | | Price (Near futures, except CRB) | | | | | |
| | Last | % Day | Low | High | | Last | % Day | | | Last | Net Day | | | | |
| NZD | 0.6008 | +0.1 | 0.6007 | 0.6031 | CHF | 0.9038 | +0.5 | S&P 500 | 5,230 | +0.2 | 31.7 | Oil (Brent) | 86.38 | -0.4 | |
| AUD | 0.6536 | -0.1 | 0.6533 | 0.6559 | SEK | 10.582 | +0.1 | Dow | 39,371 | +0.1 | 22.1 | Oil (WTI) | 81.80 | -0.2 | |
| EUR | 1.0832 | -0.0 | 1.0824 | 1.0864 | NOK | 10.747 | +0.3 | Nasdaq | 16,419 | +0.2 | 38.9 | Gold | 2178.4 | +0.1 | |
| GBP | 1.2628 | -0.1 | 1.2622 | 1.2668 | HKD | 7.823 | +0.0 | Stoxx 50 | 5,064 | +0.4 | 22.6 | HRC steel | 789.0 | +0.0 | |
| JPY | 151.54 | +0.1 | 151.21 | 151.60 | CNY | 7.217 | +0.1 | FTSE | 7,931 | +0.2 | 7.1 | CRB | 288.9 | +1.1 | |
| CAD | 1.3575 | -0.1 | | | SGD | 1.346 | -0.0 | DAX | 18,384 | +0.7 | 22.9 | Wheat Chic. | 560.8 | -1.8 | |
| NZD/AUD | 0.9192 | +0.2 | | | IDR | 15,793 | -0.0 | CAC 40 | 8,185 | +0.4 | 16.7 | Sugar | 22.39 | +2.1 | |
| NZD/EUR | 0.5547 | +0.1 | | | THB | 36.32 | -0.1 | Nikkei | 40,398 | -0.0 | 47.0 | Cotton | 93.59 | +1.7 | |
| NZD/GBP | 0.4758 | +0.1 | | | KRW | 1,340 | -0.2 | Shanghai | 3,031 | +0.2 | -6.8 | Coffee | 188.1 | +1.3 | |
| NZD/JPY | 91.05 | +0.2 | | | TWD | 31.91 | +0.1 | ASX 200 | 7,780 | -0.4 | 11.8 | WM powder | 3090 | +1.5 | |
| NZD/CAD | 0.8156 | +0.0 | | | PHP | 56.33 | -0.1 | NZX 50 | 12,032 | -0.3 | 3.6 | Australian Futures | | | |
| NZ TWI | 70.61 | +0.1 | | | | | | VIX Index | 12.94 | -1.9 | -40.5 | 3 year bond | 96.40 | -0.01 | |
| 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 | 5.57 | 4.53 | 3.88 | USD | 4.24 | -0.00 | 15-May-26 | 4.61 | 0.04 | BKBM 1-mth | 5.59 | 0.00 | | |
| AUD | 4.35 | 4.35 | 3.95 | 4.28 | AUD | 4.03 | 0.02 | 15-Apr-27 | 4.43 | 0.04 | BKBM 3-mth | 5.64 | 0.00 | | |
| NZD | 5.50 | 5.64 | 4.85 | 4.40 | NZD | 4.62 | 0.06 | 15-May-28 | 4.37 | 0.05 | 1 year | 5.34 | 0.01 | | |
| EUR | 4.00 | 3.89 | 3.18 | 2.63 | GER | 2.35 | -0.02 | 20-Apr-29 | 4.38 | 0.05 | 2 year | 4.85 | 0.02 | | |
| GBP | 5.25 | 5.30 | 4.42 | 3.70 | GBP | 3.97 | -0.02 | 15-May-30 | 4.41 | 0.05 | 3 year | 4.54 | 0.02 | | |
| JPY | 0.08 | -0.03 | 0.30 | 0.87 | JPY | 0.74 | 0.01 | 15-May-31 | 4.468 | 0.06 | 5 year | 4.33 | 0.03 | | |
| CAD | 5.00 | 5.30 | 4.51 | 3.84 | CAD | 3.51 | 0.02 | 15-May-32 | 4.53 | 0.06 | 7 year | 4.32 | 0.04 | | |
| | | | | | | | | 14-Apr-33 | 4.57 | 0.06 | 10 year | 4.40 | 0.04 | | |
| | | | | | | | | 15-May-34 | 4.62 | 0.06 | 15 year | 4.52 | 0.04 | | |
| | | | | | | | | 15-May-37 | 4.77 | 0.07 | | | | | |
| | | | | | | | | 15-May-41 | 4.90 | 0.07 | | | | | |
| | | | | | | | | 15-May-51 | 4.89 | 0.07 | | | | | |
| | | | | | | | | 15-May-54 | 4.93 | 0.07 | | | | | |
| * These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer | | | | | | | NZ Inflation-Indexed Bonds | | | | | | | | |
| Rates are as of: NZT 06:50 | | | | | | | Sep-30 | 2.30 | 0.04 | | | | | | |
| | | | | | | | Sep-35 | 2.62 | 0.05 | | | | | | |
| | | | | | | | Sep-40 | 2.81 | 0.06 | | | | | | |
| Source: Bloomberg | | | | | | | | | | | | | | | |

NZD exchange rates

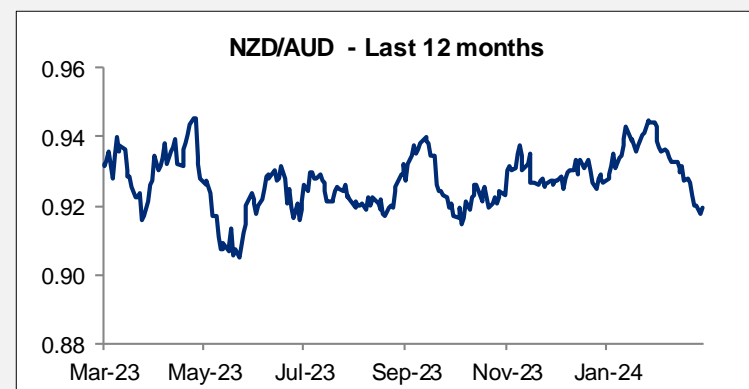
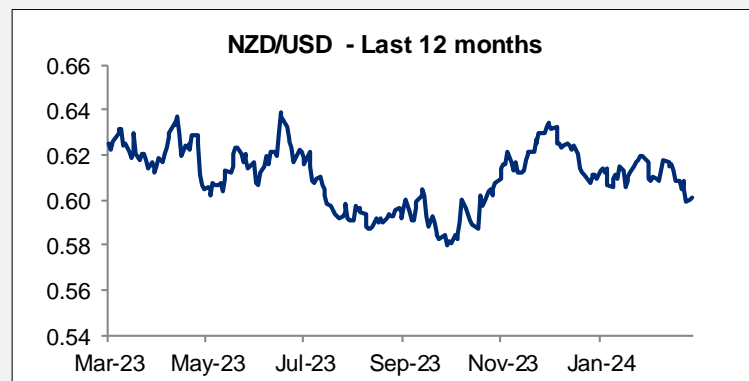
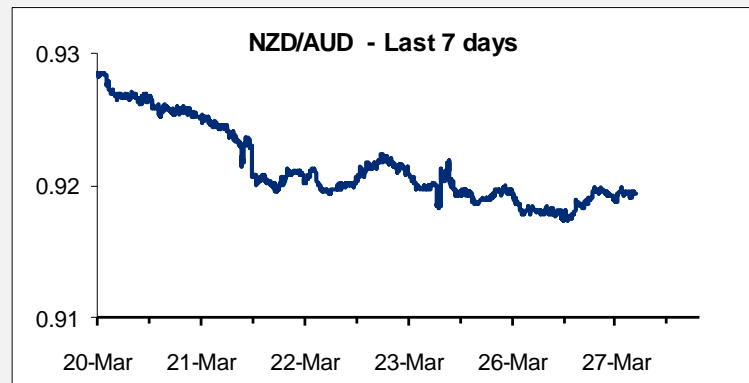
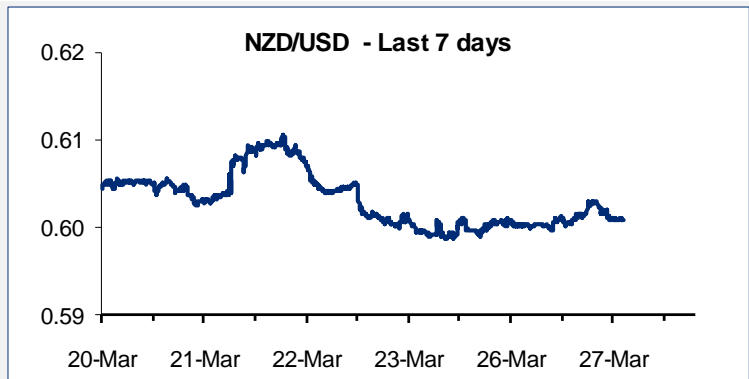
| 27/03/2024 6:50 am | | Prev. NY close |
|---------------------------|---------|-----------------------|
| USD | 0.6008 | 0.6003 |
| GBP | 0.4758 | 0.4751 |
| AUD | 0.9192 | 0.9179 |
| EUR | 0.5547 | 0.5539 |
| JPY | 91.05 | 90.90 |
| CAD | 0.8156 | 0.8156 |
| CHF | 0.5430 | 0.5399 |
| DKK | 4.1369 | 4.1311 |
| FJD | 1.3602 | 1.3671 |
| HKD | 4.7003 | 4.6955 |
| INR | 50.04 | 50.08 |
| NOK | 6.4568 | 6.4331 |
| PKR | 167.07 | 166.96 |
| PHP | 33.84 | 33.86 |
| PGK | 2.2663 | 2.2576 |
| SEK | 6.3574 | 6.3488 |
| SGD | 0.8084 | 0.8080 |
| CNY | 4.3359 | 4.3290 |
| THB | 21.81 | 21.85 |
| TOP | 1.4120 | 1.4082 |
| VUV | 73.00 | 72.84 |
| WST | 1.6373 | 1.6370 |
| XPF | 65.86 | 65.93 |
| ZAR | 11.3992 | 11.3365 |

NZD/USD Forward Points

| | BNZ buys NZD | BNZ sells NZD |
|----------|---------------------|----------------------|
| 1 Month | -0.01 | 0.39 |
| 3 Months | -0.10 | 0.36 |
| 6 Months | -1.86 | -0.64 |
| 9 Months | -3.42 | -1.51 |
| 1 Year | -5.76 | -2.76 |

NZD/AUD Forward points

| | BNZ buys NZD | BNZ Sells NZD |
|----------|---------------------|----------------------|
| 1 Month | -8.46 | -7.52 |
| 3 Months | -23.08 | -21.95 |
| 6 Months | -46.43 | -43.18 |
| 9 Months | -65.47 | -60.48 |
| 1 Year | -82.51 | -74.16 |



Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Stuart Ritson

Senior Interest Rate Strategist
+64 9 9248601

Mike Jones

BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington

Level 2, BNZ Place
1 Whitmore Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.