

Research Markets Today

28 February 2024

Events Round-Up

JN: CPI (y/y%), Jan: 2.2 vs. 1.9 exp.

JN: CPI ex fr. food, energy (y/y%), Jan: 3.5 vs. 3.3 exp.

GE: GfK consumer confidence, Mar: -29.0 vs. -29.0 exp.

US: Durable goods orders (m/m%), Jan: -6.1 vs. -5.0 exp.

US: Durables ex transport. (m/m%), Jan: -0.3 vs. 0.2 exp.

US: Conf. Board consumer confid., Feb: 106.7 vs. 115 exp.

Good Morning

It has been another uneventful trading session, with flat US equities, small changes in US Treasury yields and currency markets well contained. Focus today will be on the RBNZ's MPS where there is strong consensus for no change in rates, but nervousness that impatience by the MPC could trigger another rate hike.

US data releases overnight were much weaker than expected. The Conference Board consumer confidence index fell for the first time in four months to 106.7 (115 expected) from a downwardly revised 110.9 in January. The "present situation" index fell by more than the "expectations" index and consumers' views on the job market were also weaker. A drop in aircraft orders saw durable goods orders plunge by over 6% m/m in January, but the ex-transportation figure was also weak, falling 0.3%, alongside downward revisions. On the positive side, core capital shipments, which feed into GDP, rose by 0.8%. The overall message was that business investment will likely be soft in Q1.

The data didn't perturb the market, with US Treasuries and the USD tightly range-bound. The US 10-year rate has traded a range of less than 5bps overnight or indeed over the past 24 hours and currently sits near 4.3%, while the curve has a mild steepening bias.

Yesterday, Japan CPI inflation fell by less than expected, with the annual change falling from 2.6% to 2.2% in January (1.9% expected), while the core measure excluding fresh food and energy slipped to 3.5%. The upside surprise reflected a technical factor, with prices for foreign travel apparently surging 63%, however the jump didn't reflect higher prices over the month, but higher prices over the past four years – the statistics agency chose that period as a point of reference, having stopped collecting the data during the COVID period. The market ignored the details as

the reported figures suited the BoJ policy pivot narrative, seeing Japan's 2-year JGB rate nudging up to its highest level since 2011 and the yen appreciated slightly.

That said, currency movements overall have been unusually small, with the yen's outperformance over the past 24 hours only reflecting an insignificant 0.2% gain and the worst performing CAD down about 0.1%. The NZD has been contained within a 25pip range and currently sits at 0.6170, the same as this time yesterday.

Yesterday, global forces pushed up NZGB yields but working in the opposite direction was strong receive-side interest for 2-year swap, ahead of the RBNZ's meeting today, which dragged most of the swap curve lower, resulting in some further bond-swap cheapening. While NZGB yields were up 2bps across the curve, the 2-year swap rate fell 4bps to 5.18% while the 10-year swap rate was unchanged at 4.66%.

Fear of a 25bps hike today has been reduced over recent trading sessions, helped by last week's dire retail sales figures – which suggest that the NZ economy might be in a deeper recession than previously thought – and the OIS market now only prices about a 20% chance of a hike, with a full hike by May given a 50% chance. Bloomberg's survey of economists shows 22 out of 24 picking an on-hold decision. In the likely event of a no-change decision, expect some downside pressure on short-rates and the NZD, although the Bank is widely expected to remain hawkish, expressing vigilance in achieving its 2% target, and will not want to see a significant market reaction.

While today's focus will be on the RBNZ, ahead of that Australia's monthly CPI indicator is released, but with the data heavily weighted to the goods sector for the January reading, not too much should be read into it. Tonight sees the second estimate of Q4 GDP in the US, where the consensus is picking no change to the initial 3.3% annualised estimate, although there is more chance of a downward than upward revision.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	CPI (y/y%)	Jan	3.6	3.4	13:30
NZ	RBNZ official cash rate (%)	Feb	5.5	5.5	14:00
EC	Economic confidence	Feb	96.6	96.2	23:00
US	GDP (2nd est. ann'lsd q/q%)	Q4	3.3	3.3	02:30
US	Core PCE deflator (ann'lsd q/q%)	Q4	2.0	2.0	02:30
US	Goods trade balance (\$b)	Jan	-88.4	-88.5	02:30

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	0.6170	-0.0	0.6157	0.6176	CHF	0.8795	-0.1	27.1	S&P 500	5,063	-0.1	27.1		
AUD	0.6543	+0.1	0.6532	0.6558	SEK	10.301	+0.2	18.3	Dow	38,909	-0.4	18.3		
EUR	1.0854	+0.0	1.0833	1.0866	NOK	10.536	+0.2	39.2	Nasdaq	15,963	-0.1	39.2		
GBP	1.2689	+0.0	1.2660	1.2697	HKD	7.825	+0.0	15.0	Stoxx 50	4,886	+0.4	15.0		
JPY	150.42	-0.2	150.08	150.55	CNY	7.198	+0.0	-3.2	FTSE	7,683	-0.0	-3.2		
CAD	1.3527	+0.2			SGD	1.343	-0.1	14.1	DAX	17,556	+0.8	14.1		
NZD/AUD	0.9430	-0.1			IDR	15,646	+0.1	8.9	CAC 40	7,948	+0.2	8.9		
NZD/EUR	0.5685	-0.1			THB	35.86	-0.1	43.0	Nikkei	39,240	+0.0	43.0		
NZD/GBP	0.4862	-0.1			KRW	1,331	+0.0	-8.1	Shanghai	3,015	+1.3	-8.1		
NZD/JPY	92.81	-0.2			TWD	31.60	+0.1	5.6	ASX 200	7,663	+0.1	5.6		
NZD/CAD	0.8346	+0.1			PHP	56.10	+0.0	-1.7	NZX 50	11,695	-0.1	-1.7		
NZ TWI	72.31	-0.1						VIX Index	13.60	-1.0	-35.1			
Interest Rates					NZ Government Bonds				NZ BKBM and Swap Yields					
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last	Chg	Last	Chg	Last	Chg		
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day								
USD	5.50	5.60	4.59	3.92	USD	4.30	0.02	15-May-26	4.96	0.02	BKBM 1-mth	5.66	0.00	
AUD	4.35	4.33	4.04	4.43	AUD	4.13	0.03	15-Apr-27	4.79	0.02	BKBM 3-mth	5.72	0.00	
NZD	5.50	5.72	5.18	4.66	NZD	4.84	0.02	15-May-28	4.71	0.02	1 year	5.65	-0.03	
EUR	4.00	3.95	3.27	2.80	GER	2.46	0.02	20-Apr-29	4.69	0.02	2 year	5.18	-0.04	
GBP	5.25	5.33	4.62	3.92	GBP	4.20	0.03	15-May-30	4.71	0.02	3 year	4.88	-0.02	
JPY	0.00	-0.03	0.26	0.86	JPY	0.69	0.01	15-May-31	4.73	0.02	5 year	4.63	-0.02	
CAD	5.00	5.33	4.59	3.88	CAD	3.54	0.05	15-May-32	4.77	0.02	7 year	4.61	-0.01	
								14-Apr-33	4.80	0.02	10 year	4.66	0.00	
								15-May-34	4.84	0.02	15 year	4.76	0.00	
								15-May-37	4.96	0.02				
								15-May-41	5.05	0.02				
								15-May-51	5.02	0.02				
								15-May-54	5.03	0.02				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer					NZ Inflation-Indexed Bonds									
Rates are as of: NZT 06:54					Sep-30	2.46	0.00							
					Sep-35	2.77	0.00							
					Sep-40	2.95	0.00							

Source: Bloomberg

NZD exchange rates

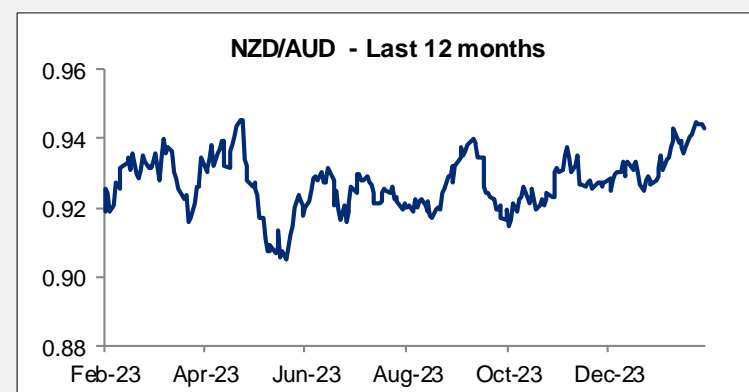
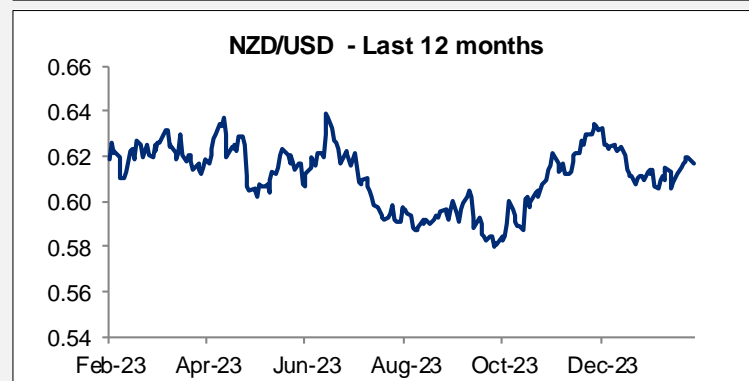
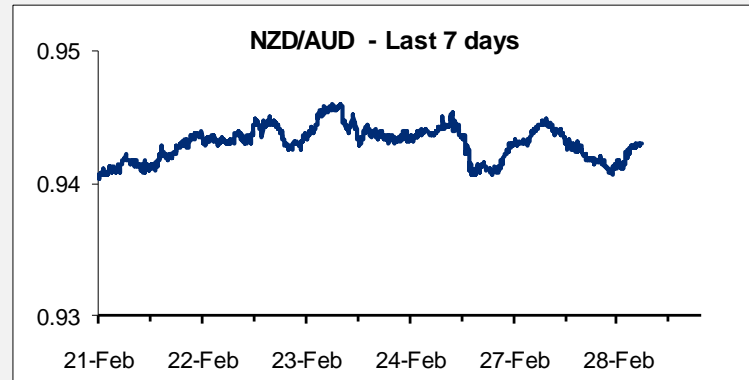
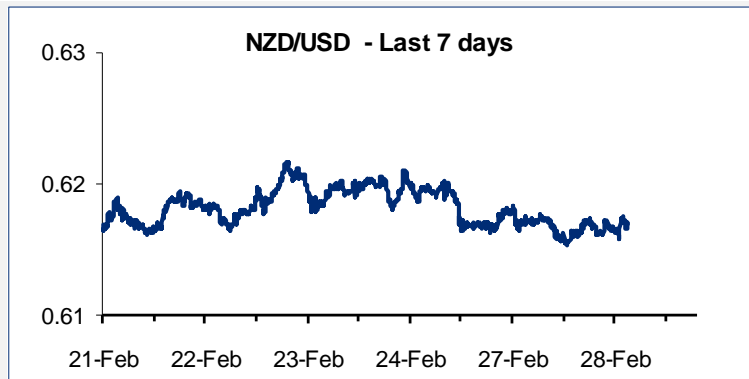
28/02/2024 6:55 am		Prev. NY close
USD	0.6170	0.6173
GBP	0.4862	0.4866
AUD	0.9430	0.9439
EUR	0.5685	0.5689
JPY	92.81	93.03
CAD	0.8346	0.8337
CHF	0.5427	0.5432
DKK	4.2375	4.2405
FJD	1.3966	1.3972
HKD	4.8281	4.8298
INR	51.15	51.17
NOK	6.5005	6.4892
PKR	172.33	172.35
PHP	34.61	34.62
PGK	2.3178	2.3094
SEK	6.3556	6.3488
SGD	0.8289	0.8299
CNY	4.4411	4.4430
THB	22.10	22.29
TOP	1.4426	1.4504
VUV	74.76	74.67
WST	1.6809	1.6802
XPF	68.25	68.29
ZAR	11.7793	11.9085

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.25	0.10
3 Months	-1.35	-0.75
6 Months	-5.79	-4.59
9 Months	-11.85	-9.84
1 Year	-18.95	-15.95

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.50	-7.72
3 Months	-27.97	-26.62
6 Months	-57.33	-54.06
9 Months	-84.10	-78.85
1 Year	-108.43	-100.81



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