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

Indicative overnight ranges (*)

	Last	% Day	Low	High
NZD	0.6170	-0.0	0.6157	0.6176
AUD	0.6543	+0.1	0.6532	0.6558
EUR	1.0854	+0.0	1.0833	1.0866
GBP	1.2689	+0.0	1.2660	1.2697
JPY	150.42	-0.2	150.08	150.55
CAD	1.3527	+0.2		
NZD/AUD	0.9430	-0.1		
NZD/EUR	0.5685	-0.1		
NZD/GBP	0.4862	-0.1		
NZD/JPY	92.81	-0.2		
NZD/CAD	0.8346	+0.1		
NZ TWI	72.31	-0.1		

Other FX

	Last	% Day
CHF	0.8795	-0.1
SEK	10.301	+0.2
NOK	10.536	+0.2
HKD	7.825	+0.0
CNY	7.198	+0.0
SGD	1.343	-0.1
IDR	15,646	+0.1
THB	35.86	-0.1
KRW	1,331	+0.0
TWD	31.60	+0.1
PHP	56.10	+0.0

Equities

Major Indices

	Last	% Day	% Year
S&P 500	5,063	-0.1	27.1
Dow	38,909	-0.4	18.3
Nasdaq	15,963	-0.1	39.2
Stoxx 50	4,886	+0.4	15.0
FTSE	7,683	-0.0	-3.2
DAX	17,556	+0.8	14.1
CAC 40	7,948	+0.2	8.9
Nikkei	39,240	+0.0	43.0
Shanghai	3,015	+1.3	-8.1
ASX 200	7,663	+0.1	5.6
NZX 50	11,695	-0.1	-1.7
VIX Index	13.60	-1.0	-35.1

Commodities

Price (Near futures, except CRB)

	Last	Net Day
Oil (Brent)	83.05	+0.6
Oil (WTI)	78.20	+0.8
Gold	2035.9	+0.4
HRC steel	922.0	+0.0
CRB	273.6	+1.0
Wheat Chic.	583.0	+1.4
Sugar	23.75	+2.6
Cotton	99.00	+2.5
Coffee	182.8	+1.8
WM powder	3285	-2.2

Australian Futures

3 year bond	96.28	-0.01
10 year bond	95.83	-0.02

Interest Rates

	Rates Cash	Rates 3Mth	Swap Yields 2 Yr	Swap Yields 10 Yr
USD	5.50	5.60	4.59	3.92
AUD	4.35	4.33	4.04	4.43
NZD	5.50	5.72	5.18	4.66
EUR	4.00	3.95	3.27	2.80
GBP	5.25	5.33	4.62	3.92
JPY	0.00	-0.03	0.26	0.86
CAD	5.00	5.33	4.59	3.88

Benchmark 10 Yr Bonds

	Last	Net Day
USD	4.30	0.02
AUD	4.13	0.03
NZD	4.84	0.02
GER	2.46	0.02
GBP	4.20	0.03
JPY	0.69	0.01
CAD	3.54	0.05

NZ Inflation-Indexed Bonds

Sep-30	2.46	0.00
Sep-35	2.77	0.00
Sep-40	2.95	0.00

NZ Government Bonds

	Last	Chg
15-May-26	4.96	0.02
15-Apr-27	4.79	0.02
15-May-28	4.71	0.02
20-Apr-29	4.69	0.02
15-May-30	4.71	0.02
15-May-31	4.73	0.02
15-May-32	4.77	0.02
14-Apr-33	4.80	0.02
15-May-34	4.84	0.02
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

NZ BKBM and Swap Yields

	Last	Chg
BKBM 1-mth	5.66	0.00
BKBM 3-mth	5.72	0.00
1 year	5.65	-0.03
2 year	5.18	-0.04
3 year	4.88	-0.02
5 year	4.63	-0.02
7 year	4.61	-0.01
10 year	4.66	0.00
15 year	4.76	0.00

* These are indicative ranges from 5pm NZT;
please confirm rates with your BNZ dealer
Rates are as of: NZT 06:54

Source: Bloomberg

NZD exchange rates

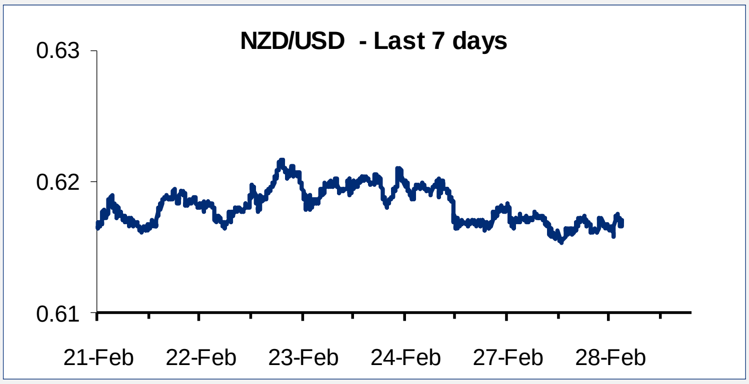
28/02/2024	6:55 am	Prev. NY close
USD	0.6170	0.6173
GBP	0.4862	0.4866
AUD	0.9430	0.9439
EUR	0.5685	0.5689
JPY	92.81	93.03
CAD	0.8346	0.8337
CHF	0.5427	0.5432
DKK	4.2375	4.2405
FJD	1.3966	1.3972
HKD	4.8281	4.8298
INR	51.15	51.17
NOK	6.5005	6.4892
PKR	172.33	172.35
PHP	34.61	34.62
PGK	2.3178	2.3094
SEK	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

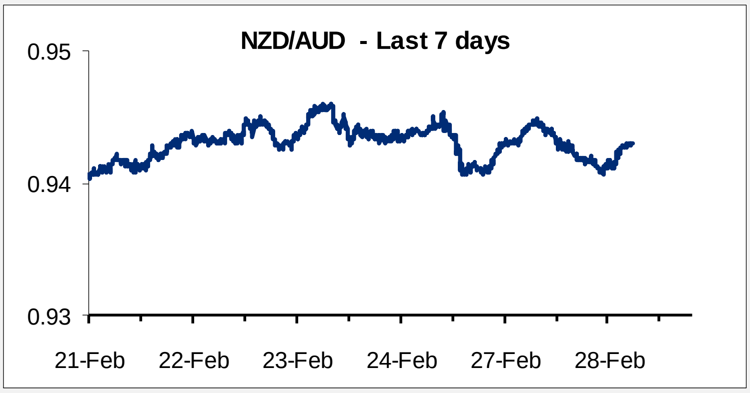
NZD/USD Forward Points

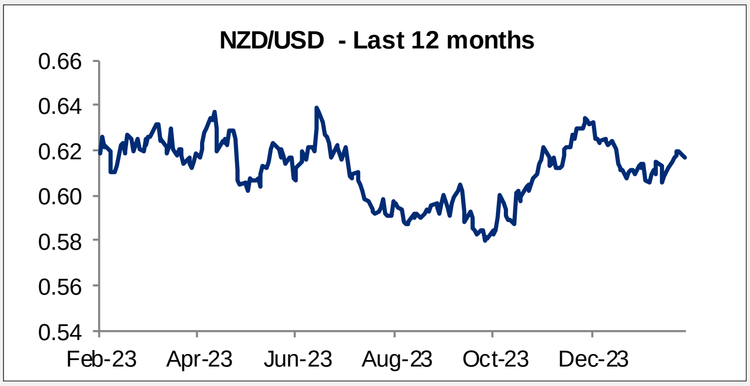
	BNZ buys NZD	BNZ sells NZD
1 Month	-0.25	0.10
3 Months	-1.35	-0.75
6 Months	-5.79	-4.59
9 Months	-11.85	-9.84
1 Year	-18.95	-15.95

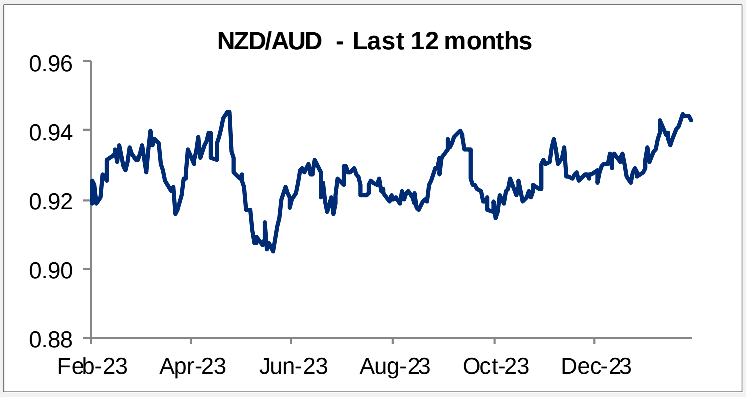
NZD/AUD Forward points

	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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