

Research Markets Today

29 February 2024

Events Round-Up

AU: CPI (y/y%), Jan: 3.4 vs 3.6 exp.
NZ: RBNZ official cash rate (%), Feb: 5.5 vs. 5.5 exp.
EC: Economic confidence, Feb: 95.4 vs. 96.6 exp.
US: GDP (2nd est. ann'lsd q/q%), Q4: 3.2 vs. 3.3 exp.
US: Core PCE deflator (ann'lsd q/q%), Q4: 2.1 vs. 2.0 exp.
US: Goods trade balance (\$b), Jan: -90.2 vs. -88.4 exp.

Good Morning

Global assets markets are little changed overnight in the absence of first tier economic data. Investors are looking ahead to key inflation data in the US and big European economies which could influence the expected path for interest rates. The S&P is marginally lower in early afternoon trade continuing the sideways price action from recent sessions. Global bond markets are stable while the US dollar advanced. Bitcoin surged above \$60,000 for the first time since November 2021 extending gains to over 40% in 2024.

The second reading of US Q4 GDP revealed the economy grew slightly less than previously reported. Growth was revised to 3.2% compared to the initial estimate of 3.3%. Consumer spending advanced at an upwardly revised 3% rate. Meanwhile the core PCE price index increased 2.1%, up from the 2% in the advance estimate. The data suggests the US economy remains resilient against the higher interest rate backdrop.

There was limited market reaction the EU Commission's economic sentiment index which unexpectedly weakened in February falling to 95.4 from 96.2 in January. The economic sentiment index combines consumer and business confidence and has been broadly stable at subdued levels in recent months.

Global bond markets were quiet. US treasury yields are marginally lower across the curve with the market continuing to consolidate near the yield highs for this year. 2-year treasuries are 4bps lower at 4.66% and 10-year yields are 2bps lower at 4.29%.

In currency markets, the US dollar is little changed against the major pairings but stronger against the broader G10 basket of currencies and particularly the NZD and AUD. EUR/USD dipped towards 1.08 in early European trade but

recovered. After falling more than 1% following the RBNZ rates decision yesterday, NZD/USD extended the move lower in offshore trade reaching lows just above 0.6080. The NZD underperformed against the euro and yen but managed to stabilise against the AUD after the sharp fall yesterday.

NZ government bonds ended the local session sharply lower in yield following the RBNZ's decision to leave rates on hold at 5.5% and soften its hawkish bias. The front end led the move lower as the market largely removed any residual risk the Bank would hike again. 2-year swap rates fell 17bps to 5.01%. The curve bull-steepened with 10-year rates dropping 9bps to 4.57%.

New Zealand Debt Management (NZDM) will offer NZ\$500 million of nominal NZGBs in the weekly tender today split across 15 May 2028 (\$300m), 14 Apr 2033 (\$150m) and 15 May 2041 (\$50m). NZDM announced yesterday that subject to market conditions, it expects a new 15 May 2035 nominal bond will be launched, via syndication, by the end of April 2024.

Australian bond futures are little changed overnight, suggesting limited directional bias for NZ yields on the open.

ANZ business confidence is released locally today, and retail sales in Australia are expected to rebound from unexpectedly weak sales in December. This evening, the focus will be on US PCE inflation for January. CPI and PPI surprised to the topside in January and the market will be monitoring the extent this impacts the Fed's preferred core PCE measure. The median estimate is for a 0.4% m/m rise, which if realised, would be the largest monthly increase since January last year.

stuart.ritson@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
JN	Industrial Production (m/m%)	Jan P	-6.8	1.4	12:50
NZ	ANZ Activity Outlook	Feb		25.6	13:00
AU	Retail Sales (m/m%)	Jan	1.5	-2.7	13:30
GE	Unemployment Rate	Feb	5.8	5.8	21:55
GE	CPI EU Harmonized (m/m%)	Feb P	0.6	-0.2	02:00
GE	CPI EU Harmonized (y/y%)	Feb P	2.7	3.1	02:00
CA	Quarterly GDP Annualized	4Q	0.8	-1.1	02:30
US	Personal Income	Jan	0.4	0.3	02:30
US	Real Personal Spending	Jan	-0.1	0.5	02:30
US	PCE Core Deflator (m/m%)	Jan	0.4	0.2	02:30
US	PCE Core Deflator (y/y%)	Jan	2.8	90000	02:30
US	Initial Jobless Claims	45323	209.5	201	02:30
US	MNI Chicago PMI	Feb	48	46	03:45
US	Pending Home Sales (m/m%)	Jan	1.5	8.3	04:00

Source: Bloomberg, BNZ

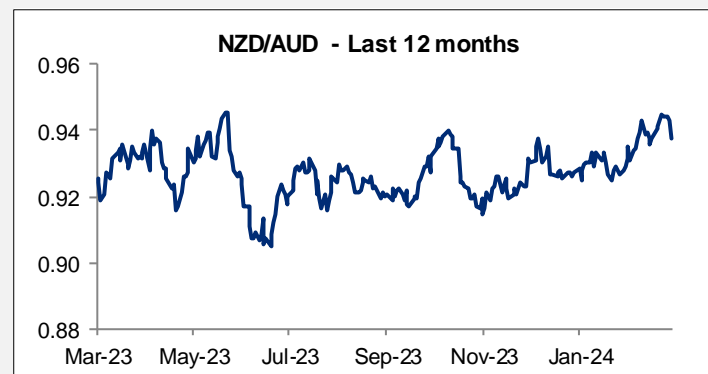
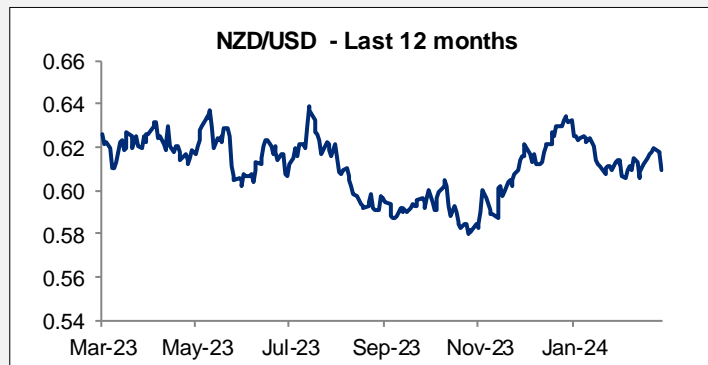
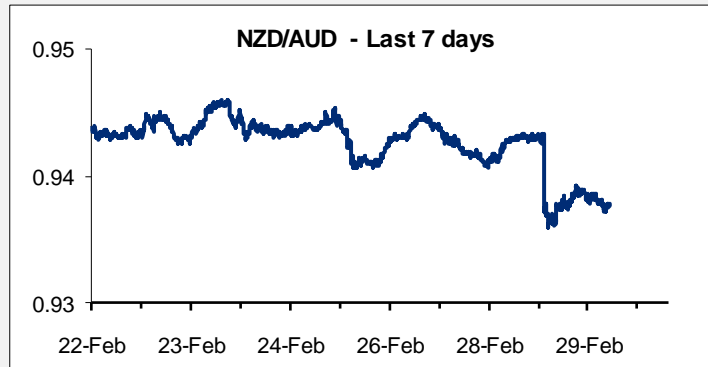
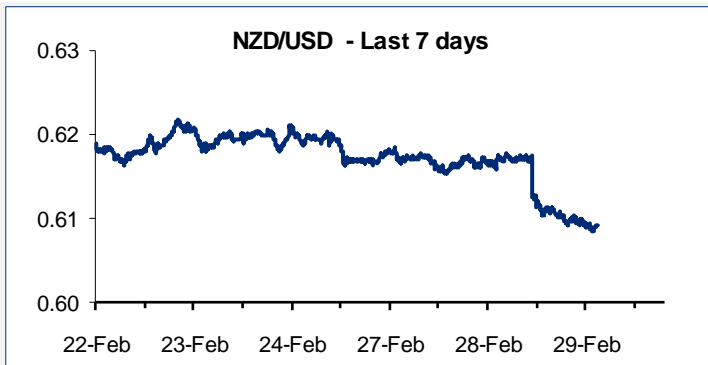
Currencies						Equities				Commodities					
Indicative overnight ranges (*)					Other FX	Major Indices				Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.6091	-1.3	0.6082	0.6115	CHF	0.8792	+0.1		S&P 500	5,073	-0.1	27.8	Oil (Brent)	83.73	+0.1
AUD	0.6495	-0.7	0.6489	0.6517	SEK	10.333	+0.2		Dow	38,885	-0.3	19.1	Oil (WTI)	78.80	-0.1
EUR	1.0839	-0.0	1.0797	1.0846	NOK	10.580	+0.5		Nasdaq	15,956	-0.5	39.3	Gold	2043.5	-0.0
GBP	1.2658	-0.2	1.2622	1.2674	HKD	7.827	+0.0		Stoxx 50	4,884	-0.0	15.2	HRC steel	801.0	-1.8
JPY	150.70	+0.1	150.53	150.85	CNY	7.198	+0.0		FTSE	7,625	-0.8	-3.2	CRB	276.5	+1.0
CAD	1.3574	+0.3			SGD	1.346	+0.1		DAX	17,601	+0.3	14.6	Wheat Chic.	575.8	-1.5
NZD/AUD	0.9378	-0.6			IDR	15,692	+0.3		CAC 40	7,954	+0.1	9.4	Sugar	24.15	+1.3
NZD/EUR	0.5620	-1.2			THB	36.01	+0.4		Nikkei	39,208	-0.1	42.9	Cotton	107.25	+6.5
NZD/GBP	0.4812	-1.1			KRW	1,334	+0.2		Shanghai	2,958	-1.9	-9.8	Coffee	181.8	-0.8
NZD/JPY	91.79	-1.2			TWD	31.60	+0.1		ASX 200	7,660	-0.0	5.5	WM powder	3215	-2.1
NZD/CAD	0.8268	-1.0			PHP	56.26	+0.3		NZX 50	11,763	+0.6	-1.1	Australian Futures		
NZ TWI	71.55	-1.1						VIX Index	13.56	+1.0	-34.5	3 year bond	96.27	-0.01	
												10 year bond	95.84	0.02	
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	4.55	3.91	USD	4.29	-0.02	15-May-26	4.79	-0.17	BKBM 1-mth	5.66	0.00		
AUD	4.35	4.34	4.03	4.41	AUD	4.17	0.04	15-Apr-27	4.64	-0.16	BKBM 3-mth	5.71	-0.01		
NZD	5.50	5.71	5.01	4.57	NZD	4.75	-0.09	15-May-28	4.57	-0.15	1 year	5.52	-0.14		
EUR	4.00	3.95	3.25	2.79	GER	2.46	-0.01	20-Apr-29	4.56	-0.14	2 year	5.01	-0.17		
GBP	5.25	5.33	4.62	3.90	GBP	4.19	-0.01	15-May-30	4.58	-0.13	3 year	4.71	-0.17		
JPY	0.00	-0.03	0.26	0.86	JPY	0.70	0.01	15-May-31	4.62	-0.12	5 year	4.50	-0.14		
CAD	5.00	5.33	4.58	3.87	CAD	3.54	-0.01	15-May-32	4.66	-0.11	7 year	4.50	-0.11		
								14-Apr-33	4.70	-0.10	10 year	4.57	-0.09		
								15-May-34	4.75	-0.09	15 year	4.67	-0.09		
								15-May-37	4.87	-0.09					
								15-May-41	4.96	-0.09					
								15-May-51	4.94	-0.09					
								15-May-54	4.96	-0.07					

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:33

Source: Bloomberg

NZD exchange rates

29/02/2024	6:30 am	Prev. NY close
USD	0.6091	0.6171
GBP	0.4811	0.4865
AUD	0.9378	0.9430
EUR	0.5620	0.5691
JPY	91.80	92.88
CAD	0.8267	0.8348
CHF	0.5355	0.5422
DKK	4.1890	4.2417
FJD	1.3774	1.3943
HKD	4.7677	4.8284
INR	50.51	51.16
NOK	6.4440	6.4991
PKR	170.00	172.36
PHP	34.25	34.61
PGK	2.2890	2.3182
SEK	6.2935	6.3617
SGD	0.8198	0.8294
CNY	4.3843	4.4418
THB	21.96	22.10
TOP	1.4275	1.4355
VUV	73.69	74.72
WST	1.6593	1.6809
XPF	67.42	68.29
ZAR	11.7475	11.7848



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.11	0.29
3 Months	-0.36	0.23
6 Months	-3.05	-1.85
9 Months	-7.28	-5.28
1 Year	-12.04	-9.05

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.67	-8.72
3 Months	-27.34	-25.90
6 Months	-53.44	-50.16
9 Months	-76.48	-71.29
1 Year	-96.72	-89.20

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 4, Spark Central
42-52 Willis 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.