

Research Markets Today

30 January 2024

Events Round-Up

NZ: Trade balance (ann \$b), Dec: -13.6 vs. -13.9 prev.

Good Morning

Markets are in a holding pattern ahead of an eventful week that includes policy meetings from the US Fed and BoE, key global economic releases, earnings reports from some of the US market's magnificent seven, and the US Treasury's quarterly refunding announcement. On paper, the calendar doesn't come any more eventful than this.

With all that to look forward to, the market has started the week on a quiet note, with not much news. In equity markets, the S&P500 is currently slightly higher. US Treasury yields have drifted down with some spillover from lower European rates (see below), with rates 2-5bps lower across the curve from last week's close and the 10-year rate currently at 4.09%, at its low for the session.

There is keen anticipation of the Treasury department's quarterly refunding announcement on Wednesday (overnight, NZ time), with the previous two announcements proving to be market moving events. The Treasury department is expected to follow-through with a final lift in the size of weekly auctions to \$121b, with 3-year and 10-year auctions boosted to \$2b and 30-year auctions boosted by \$1b. Ahead of that refunding announcement, after we go to print today, the Treasury will release its update of quarterly borrowing and cash-balance estimates.

Oil prices kicked off Asian trading on a strong note, in response to the weekend drone attack, allegedly launched from Iraq but backed by Iran, that killed and injured US troops based in Jordan. After trading as high as USD84.80, Brent crude has fallen back down to USD82.50, now down over 1% from the end of last week, as the market awaits the response by the US. A US National Security Council spokesman said it was "not looking for a war with Iran". Brent crude is still up around 7% over the month to date, reflecting fears of tensions in the Middle East escalating, rather than fundamental forces that play to a currently over-supplied market.

In currency markets, commodity currencies, alongside the yen, have modestly outperformed. The NZD has spent most of the overnight session trading above 0.61, after

closing below that mark last week. The AUD recovered to just over 0.66 below slipping just under the figure. Against a backdrop of lower global rates, USD/JPY is down 0.4% to 147.60.

EUR pushed lower once European markets opened, as traders priced in a full cut for April, following the barrage of commentary from ECB Governing Council members that we noted yesterday. This includes the dovish weekend comments from the French central bank Governor who wouldn't rule out any date for a rate cut, viz "not one is excluded, and everything will be open at our next meetings". Overnight, there have been more speakers, with Kazimir saying that June was more likely than April, while de Guindos wouldn't be drawn on a date, playing the data-dependent card. European rates are lower across the curve, with German bunds down in the order of 6-7bps.

EUR traded to an overnight low just below 1.08 and is currently just above that figure. GBP was dragged down for the ride, although not to the same extent. The NZD is higher on these crosses, to 0.5650 and 0.4815 respectively.

The domestic rates market was quiet yesterday with Auckland on holiday. Swap rates rose 1-3bps while NZGBs were marked 3-4bps higher across the curve. In economic news, NZ's trade deficit continues to narrow, as is usual during economic recessions, driven by much weaker growth in imports. Imports were down 12.5% y/y in December, with broadly-based falls. The annual deficit of \$13.6b last year compares to the peak deficit of \$17.1b for the year to May.

In the day ahead the domestic focus will be on a rare speech from the RBNZ's Chief Economist Conway on monetary policy, with particular interest given it will include a brief comment on recent data – data that have shown the NZ economy to be in a much deeper hole than the Bank anticipated and inflation falling at a faster rate, albeit with non-tradeables inflation remaining sticky.

On the global calendar, Australian retail sales are expected to show a strong pullback in December from November's strength, owing to a changed seasonal pattern. Q4 GDP for Germany and the euro area will be released with preliminary data already showing that Germany's economy contracted by 0.3% q/q, which will be a drag on the euro area figure. Tonight sees the release of US consumer confidence and JOLTS data.

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Coming Up

Period Cons. Prev. NZT						
NZ	RBNZ's Conway speaks					09:00
AU	Retail sales (m/m%)	Dec	-2.0	2.0	13:30	
GE	GDP (q/q%)	Q4	-0.3	-0.1	22:00	
EC	Economic confidence	Jan	96.1	96.4	23:00	
EC	GDP (q/q%)	Q4	-0.1	-0.1	23:00	
US	Conf. Board consumer confid.	Jan	114.0	110.7	04:00	
US	JOLTS job openings (k)	Dec	8709	8790	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				Last	% Day	% Year		Last	Net Day
NZD	0.6107	+0.3	0.6097	0.6122	CHF	0.8634	-0.1			S&P 500	4,899	+0.2	20.4	Oil (Brent)	82.60	-1.3
AUD	0.6593	+0.3	0.6581	0.6606	SEK	10.472	+0.2			Dow	38,081	-0.1	12.1	Oil (WTI)	77.01	-1.4
EUR	1.0814	-0.4	1.0796	1.0850	NOK	10.463	+0.3			Nasdaq	15,516	+0.4	33.5	Gold	2029.9	+0.6
GBP	1.2685	-0.1	1.2662	1.2719	HKD	7.813	-0.0			Stoxx 50	4,639	+0.1	11.0	HRC steel	1077.0	+0.0
JPY	147.64	-0.4	147.59	148.09	CNY	7.180	+0.0			FTSE	7,633	-0.0	-1.7	CRB	273.6	+0.4
CAD	1.3446	-0.1			SGD	1.341	+0.0			DAX	16,942	-0.1	11.8	Wheat Chic.	599.5	-1.8
NZD/AUD	0.9263	+0.0			IDR	15,810	-0.1			CAC 40	7,641	+0.1	7.7	Sugar	23.56	-0.8
NZD/EUR	0.5647	+0.7			THB	35.46	-0.6			Nikkei	36,027	+0.8	31.3	Cotton	84.27	+0.0
NZD/GBP	0.4814	+0.4			KRW	1,336	-0.0			Shanghai	2,883	-0.9	-11.8	Coffee	189.1	-2.3
NZD/JPY	90.16	-0.1			TWD	31.24	-0.2			ASX 200	7,578	+0.3	1.3	WM powder	3375	+0.0
NZD/CAD	0.8211	+0.2			PHP	56.29	-0.1			NZX 50	11,912	+0.3	-1.0	Australian Futures		
NZ TWI	71.36	+0.2								VIX Index	13.74	+3.6	-25.8	3 year bond	96.27	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	5.58	4.18	3.73	USD	4.09	-0.05	15-May-26		4.62	0.04	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.36	4.00	4.41	AUD	4.22	-0.03	15-Apr-27		4.49	0.04	BKBM 3-mth	5.66	-0.00		
NZD	5.50	5.66	4.77	4.49	NZD	4.72	0.04	15-May-28		4.43	0.04	1 year	5.33	0.00		
EUR	4.00	3.89	2.90	2.62	GER	2.24	-0.06	20-Apr-29		4.43	0.04	2 year	4.77	0.01		
GBP	5.25	5.33	4.26	3.66	GBP	3.88	-0.09	15-May-30		4.50	0.04	3 year	4.51	0.01		
JPY	-0.01	-0.03	0.22	0.91	JPY	0.72	0.01	15-May-31		4.57	0.04	5 year	4.36	0.02		
CAD	5.00	5.41	4.44	3.82	CAD	3.47	-0.05	15-May-32		4.62	0.04	7 year	4.39	0.02		
					NZ Inflation-Indexed Bonds											
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer					Sep-30	2.46	-0.01	14-Apr-33		4.67	0.04	10 year	4.49	0.03		
Rates are as of: NZT 06:51					Sep-35	2.77	-0.01	15-May-34		4.72	0.04	15 year	4.66	0.03		
Source: Bloomberg					Sep-40	3.01	0.00	15-May-41		4.98	0.04					
								15-May-51		4.98	0.04					

NZD exchange rates

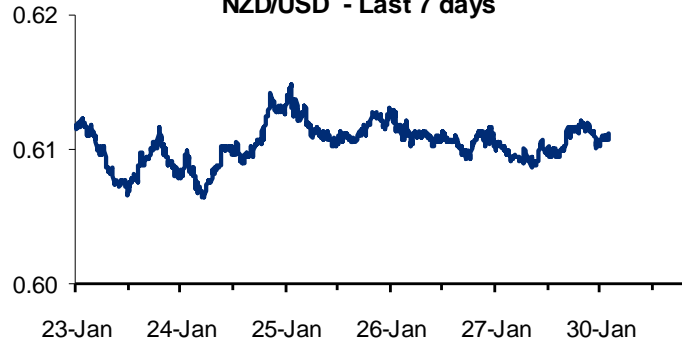
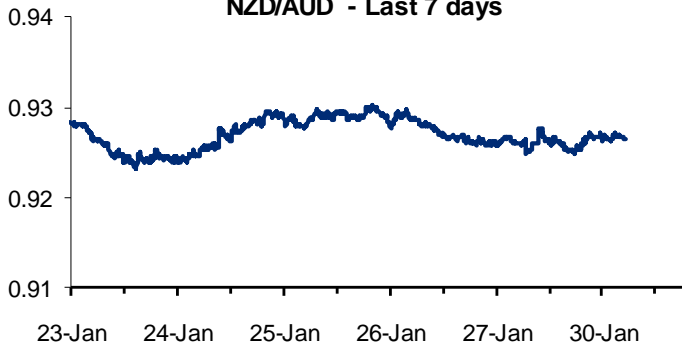
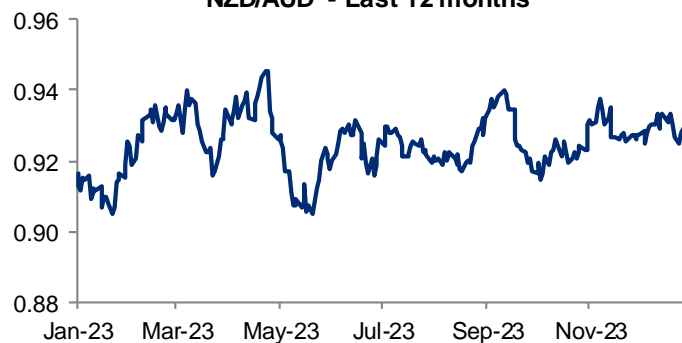
30/01/2024 6:52 am		Prev. NY close
USD	0.6107	0.6090
GBP	0.4814	0.4794
AUD	0.9263	0.9262
EUR	0.5647	0.5611
JPY	90.16	90.22
CAD	0.8211	0.8193
CHF	0.5273	0.5263
DKK	4.2097	4.1826
FJD	1.3748	1.3642
HKD	4.7716	4.7590
INR	50.78	50.62
NOK	6.3895	6.3499
PKR	170.77	170.31
PHP	34.38	34.30
PGK	2.2847	2.2792
SEK	6.3954	6.3625
SGD	0.8191	0.8167
CNY	4.3848	4.3710
THB	21.73	21.70
TOP	1.4216	1.4176
VUV	73.82	72.77
WST	1.6556	1.6455
XPF	66.96	66.80
ZAR	11.4983	11.4421

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.09	0.35
3 Months	-0.38	0.08
6 Months	-4.40	-3.40
9 Months	-10.21	-7.96
1 Year	-16.67	-13.31

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.44	-7.81
3 Months	-25.81	-24.69
6 Months	-49.23	-46.57
9 Months	-66.88	-61.54
1 Year	-80.63	-72.60

NZD/USD - Last 7 days**NZD/AUD - Last 7 days****NZD/USD - Last 12 months****NZD/AUD - Last 12 months**

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