

Research Markets Today

31 January 2024

Events Round-Up

AU: Retail sales (m/m%), Dec: -2.7 vs. -2.0 exp.
 GE: GDP (q/q%), Q4: -0.3 vs. -0.3 exp.
 EC: Economic confidence, Jan: 96.2 vs. 96.1 exp.
 EC: GDP (q/q%), Q4: 0.0 vs. -0.1 exp.
 US: Conf. Board consumer conf, Jan: 114.8 vs. 114.0 exp.
 US: JOLTS job openings (k), Dec: 9026 vs. 8709 exp.

Good Morning

The S&P 500 fluctuated near its all-time high as investors looked ahead to results from major technology companies, Microsoft and Alphabet in addition to the Federal Reserve's first interest rate decision of the year tomorrow morning (NZT). Higher than expected job openings from the JOLTs survey underpinned US treasury yields and the US dollar was little changed.

The Eurozone narrowly avoided a technical recession in H2 2023. The economy stagnated in the final quarter of last year compared with consensus estimates for a 0.1% q/q decline. Regional data showed the German economy contracted 0.3% in Q4 which was offset by a stronger than expected rebound in Spain and Italy. The market is close to fully pricing a 25bps April rate cut by the ECB. Eurozone CPI data for January is released later this week.

US job openings were higher than expected in December. Job vacancies increased to 9mn beating consensus estimates of 8.7mn and rising to a 3-month high. This points to resilience in the labour market. However, the data is often revised and has a limited relationship with payrolls numbers. Separately the 'quits rate' was unchanged at 2.2% last month.

The Conference Board's index of consumer confidence jumped to 114.8 in January which is the highest level since December 2021 and is in line with increases in other confidence surveys. Confidence is underpinned by the ongoing rally in the stock market, drop in gas prices late last year and the fall in inflation and interest rates.

US treasury yields moved higher in response to the JOLTs report led by the front end of the curve which reduced hopes for imminent interest rate cuts from the Federal Reserve. The market is pricing about 10bps of cuts for the March FOMC. 2-year treasuries jumped almost 10bps off

the session lows near 4.28% before settling near 4.36% while 10-year yields are marginally higher at 4.08%.

Yields on Chinese 10-year bonds fell below 2.50% to the lowest level in more than 20 years on increasing expectations of monetary easing amid a fragile economic recovery. Demand for safe-haven assets has increased following the slump in onshore equities and the downturn in the property market. Official manufacturing and services PMIs are released today and are expected to show a modest recovery relative to December levels.

The US dollar rebounded from the session lows following the move higher in front end treasury yields but currency markets were broadly subdued and confined to narrow ranges.

NZD/USD slipped in offshore trade after making highs near 0.6150 in the local session yesterday. The NZD gained traction after a widely anticipated speech by RBNZ chief economist Paul Conway. The speech downplayed recent softer than expected growth and inflation data and implied the RBNZ forecasting team see little reason for the bank to change its hawkish monetary policy stance.

The NZ government bond yield curve bull-flattened in the local session yesterday with 10-year bonds closing down 4bps at 4.67% while shorter maturities were unchanged. The market marginally reduced expectations for easier monetary policy following the RBNZ speech. Australian 3 and 10-year bond futures are ~2bps higher in yield since the local close yesterday suggesting modest upward bias for NZGB yields on the open.

The ANZ business survey is released today, and Q4 CPI data will be the focus in Australia. The median economist estimate for headline CPI is 4.3% y/y which is below the RBA's 4.5% projection in the November SoMP.

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Coming Up

		Period	Cons.	Prev.	NZT
JN	Industrial Production MoM	Dec P	2.5	-0.9	12:50
NZ	ANZ Activity Outlook	Jan		29.3	13:00
AU	CPI (q/q%)	4Q	0.8	1.2	13:30
AU	CPI (y/y%)	4Q	4.3	5.4	13:30
AU	CPI Trimmed Mean (q/q%)	4Q	0.9	1.2	13:30
AU	CPI Trimmed Mean (y/y%)	4Q	4.3	5.2	13:30
CH	Manufacturing PMI	Jan	49.3	49	14:30
CH	Non-manufacturing PMI	Jan	50.6	50.4	14:30
GE	Unemployment Claims Rate SA	Jan	5.9	5.9	21:55
GE	CPI EU Harmonized (m/m%)	Jan P	-0.2	0.2	02:00
GE	CPI EU Harmonized (y/y%)	Jan P	3.2	3.8	02:00
US	ADP Employment Change (k)	Jan	150	164	02:15
CA	GDP (m/m%)	Nov	0.1	0	02:30
US	Employment Cost Index (q/q%)	4Q	1	1.1	02:30
US	MNI Chicago PMI	Jan	48	46.9	03:45

Currencies

Indicative overnight ranges (*)					Other FX		
	Last	% Day	Low	High		Last	% Day
NZD	0.6126	-0.1	0.6106	0.6148	CHF	0.8624	+0.1
AUD	0.6594	-0.3	0.6575	0.6617	SEK	10.415	-0.3
EUR	1.0843	+0.1	1.0812	1.0857	NOK	10.447	+0.2
GBP	1.2687	-0.2	1.2640	1.2709	HKD	7.817	+0.0
JPY	147.71	+0.1	147.10	147.93	CNY	7.178	-0.0
CAD	1.3415	+0.0			SGD	1.340	-0.0
NZD/AUD	0.9290	+0.2			IDR	15,780	-0.2
NZD/EUR	0.5650	-0.2			THB	35.41	-0.0
NZD/GBP	0.4829	+0.0			KRW	1,330	-0.5
NZD/JPY	90.49	+0.0			TWD	31.14	-0.3
NZD/CAD	0.8218	-0.1			PHP	56.42	+0.2
NZ TWI	71.51	-0.1					

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	4.23	3.71	USD	4.07	-0.00	15-May-26	4.63	0.04	BKBM 1-mth	5.59	0.00	
AUD	4.35	4.34	4.01	4.42	AUD	4.14	-0.08	15-Apr-27	4.48	0.03	BKBM 3-mth	5.66	0.00	
NZD	5.50	5.66	4.78	4.46	NZD	4.67	-0.01	15-May-28	4.41	0.02	1 year	5.34	0.02	
EUR	4.00	3.91	2.93	2.65	GER	2.27	0.03	20-Apr-29	4.40	0.01	2 year	4.78	0.01	
GBP	5.25	5.32	4.32	3.69	GBP	3.90	0.03	15-May-30	4.46	0.01	3 year	4.51	0.00	
JPY	-0.01	-0.03	0.23	0.92	JPY	0.72	-0.01	15-May-31	4.53	0.00	5 year	4.35	-0.01	
CAD	5.00	5.40	4.47	3.80	CAD	3.45	0.00	15-May-32	4.58	-0.00	7 year	4.37	-0.02	
					NZ Inflation-Indexed Bonds			14-Apr-33	4.62	-0.01	10 year	4.46	-0.03	
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer Rates are as of: NZT 06:42 Source: Bloomberg					Sep-30	2.42	-0.05	15-May-34	4.67	-0.01	15 year	4.63	-0.03	
					Sep-35	2.73	-0.05	15-May-41	4.92	-0.02				
					Sep-40	2.96	-0.05	15-May-51	4.92	-0.02				

Equities

Major Indices			
	Last	% Day	% Year
S&P 500	4,924	-0.1	22.6
Dow	38,375	+0.1	13.8
Nasdaq	15,513	-0.8	36.1
Stoxx 50	4,663	+0.5	12.1
FTSE	7,666	+0.4	-1.5
DAX	16,972	+0.2	12.2
CAC 40	7,677	+0.5	8.4
Nikkei	36,066	+0.1	32.0
Shanghai	2,831	-1.8	-13.1
ASX 200	7,600	+0.3	1.7
NZX 50	11,914	+0.0	-0.4
VIX Index	13.40	-1.5	-32.8

Commodities

Price (Near futures, except CRB)		
	Last	Net Day
Oil (Brent)	82.84	+0.6
Oil (WTI)	77.65	+1.3
Gold	2033.9	+0.4
HRC steel	1079.0	+0.0
CRB	270.9	-1.0
Wheat Chic.	608.5	+0.9
Sugar	23.80	+1.2
Cotton	84.40	+0.2
Coffee	194.2	+2.6
WM powder	3365	-0.3
Australian Futures		
3 year bond	96.31	0.04
10 year bond	95.82	-0.02

NZD exchange rates

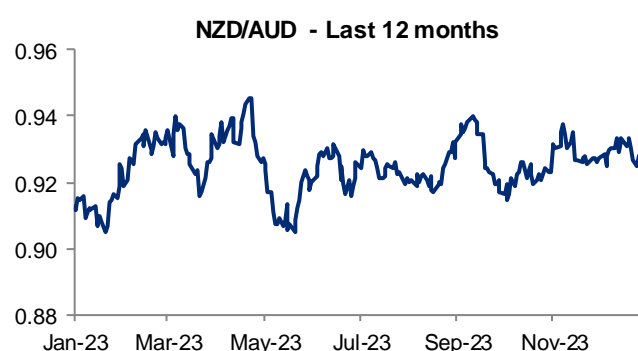
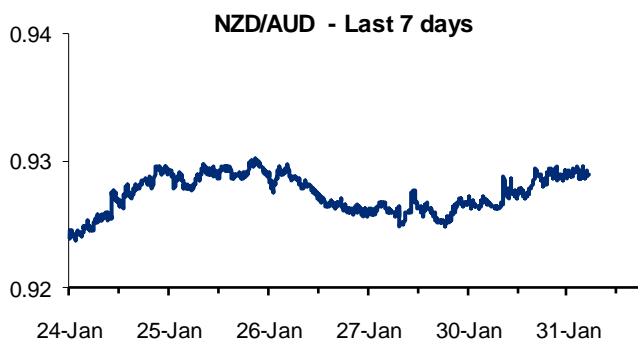
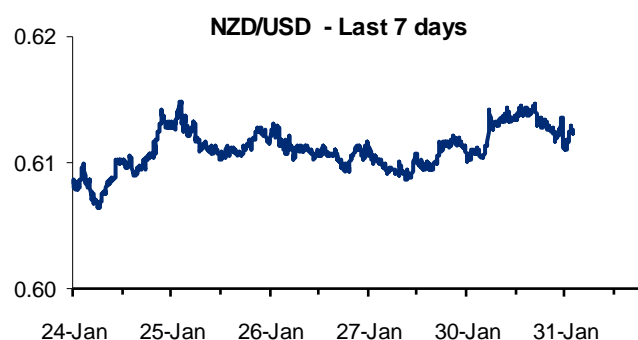
31/01/2024 6:42 am		Prev. NY close
USD	0.6126	0.6133
GBP	0.4829	0.4826
AUD	0.9290	0.9277
EUR	0.5650	0.5661
JPY	90.49	90.46
CAD	0.8218	0.8227
CHF	0.5283	0.5282
DKK	4.2117	4.2199
FJD	1.3739	1.3794
HKD	4.7889	4.7921
INR	50.91	50.99
NOK	6.3996	6.3974
PKR	171.23	171.49
PHP	34.56	34.52
PGK	2.2927	2.2867
SEK	6.3800	6.4061
SGD	0.8208	0.8219
CNY	4.3971	4.4037
THB	21.67	21.82
TOP	1.4293	1.4346
VUV	73.97	74.06
WST	1.6597	1.6631
XPF	67.08	67.43
ZAR	11.5123	11.5372

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.01	0.40
3 Months	-0.39	0.10
6 Months	-4.19	-3.19
9 Months	-9.78	-7.59
1 Year	-15.60	-12.60

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.59	-7.74
3 Months	-26.16	-24.99
6 Months	-50.17	-47.41
9 Months	-68.27	-62.95
1 Year	-81.92	-73.99



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