

Research Markets Today

3 February 2025

Events Round-Up

NZ: ANZ Consumer Confidence Index, Jan: 96 vs. 102 prev.
 JN: Tokyo CPI (y/y%), Jan: 3.4 vs. 3.0 exp.
 JN: Tokyo CPI Ex Food, Energy (y/y%), Jan: 1.9 vs. 1.9 exp.
 GE: Unemployment Claims Rate SA, Jan: 6.2 vs. 6.1 exp.
 GE: CPI EU Harmonized (y/y%), Jan P: 2.8 vs. 2.8 exp.
 CA: GDP (m/m%), Nov: -0.2 vs. -0.1 exp.
 US: Employment Cost Index, 4Q: 0.9 vs. 0.9 exp.
 US: Personal Income, Dec: 0.4 vs. 0.4 exp.
 US: Real Personal Spending, Dec: 0.4 vs. 0.3 exp.
 US: Core PCE Price Index (m/m%), Dec: 0.2 vs. 0.2 exp.
 US: Core PCE Price Index (y/y%), Dec: 2.8 vs. 2.8 exp.
 US: MNI Chicago PMI, Jan: 39.5 vs. 40 exp.

Good morning

Financial markets were volatile into the global close amid conflicting news on timing for the implementation of tariffs on US imports. Confirmation that tariffs would be set for Canada and Mexico at 25%, China at 10%, and begin this week, saw equities retrace earlier gains. The S&P closed 0.5% lower. G10 currencies also saw large swings. US treasuries were marginally higher in yield, while European bonds rallied, after softer than expected regional inflation data.

Over the weekend, Canada and Mexico have announced retaliatory tariffs on the US. In addition, China has said it will take 'counteractive measures' and that it will file a lawsuit with the World Trade Organisation. Trade tensions will remain in focus as markets open for the week.

The Fed's preferred inflation measure, the core PCE deflator, increased 0.2% in December which was in line with consensus estimates. The annual rate was steady at 2.8%. On a three-month annualised basis, the core PCE increased 2.2%, which is the smallest increase since July. Real spending in the US increased 0.4%, beating the 0.3% consensus, and was underpinned by strong demand for durable goods likely in response to the threat of upcoming tariffs.

The Employment Cost Index rose by 0.9% in Q4 matching the consensus estimate. The annual increase dipped to 3.8% from 3.9% in Q3. Although wages are still growing faster than the pre-pandemic period, the Fed is likely

maintain its view that the labour market is not a source of inflationary pressures.

US treasuries were little changed after the economic data but edged higher in yield later in the session. 10-year notes closed 2bp higher at 4.54%. German bunds rallied and the yield curve steepened after French and regional German CPI data was soft relative to expectations. Although nationwide German inflation printed in line with consensus estimates, Bunds maintained the earlier rally with 10-year yields closing down 6bp at 2.46%.

Core inflation in the Tokyo metropolitan area picked up slightly in January to 1.9%. Tokyo figures are a leading indicator for the nationwide trend and support the Bank of Japan's tightening bias. 10-year JGBs yields increased 3bp to 1.24%, all but matching the multi-year highs reached in early January.

It was a volatile end to the week in currency markets. An initial headline, which pointed to the implementation of tariffs being delayed to March and containing exemptions, contributed to a weaker dollar especially against the dollar-bloc currencies. However, these moves reversed sharply after it was confirmed the protective measures would be implemented this week. The US dollar rebounded and closed at the session highs.

Despite the whipsaw price action, the absolute moves against the dollar were modest for most G10 currencies. NZD/USD traded above 0.5680 overnight Friday, but closed back towards 0.5640, and close to levels that prevailed in the Asia session. The Canadian dollar was relatively weak alongside the yen with both currencies falling close to 0.5% against the US dollar.

It was a quiet session for domestic rates in the local session on Friday. The swap curve has continued to steepen with 2-year rates closing 2bp lower at 3.44% while 10-year rates were unchanged at 3.85%. Consumer confidence eased in January. The index dipped to 96 from 100 in December but was not impactful for rates.

Government bonds were little changed with bonds closing 1bp lower across the curve. 10-year NZGBs closed at 4.56%. Australian 10-year government bond futures are 3bp higher since the local close on Friday, suggesting an upward bias, for NZ yields on the open.

Australian retail sales data for December is the only regional data of note in the day ahead. The Caixin manufacturing survey is scheduled though Chinese markets don't reopen from the Lunar New Year holiday until the middle of the week. Preliminary CPI data for January is released in the Eurozone and the US manufacturing ISM will be closely monitored.

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Coming Up

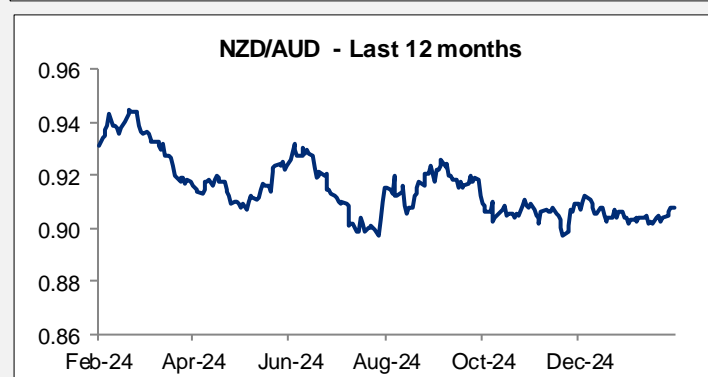
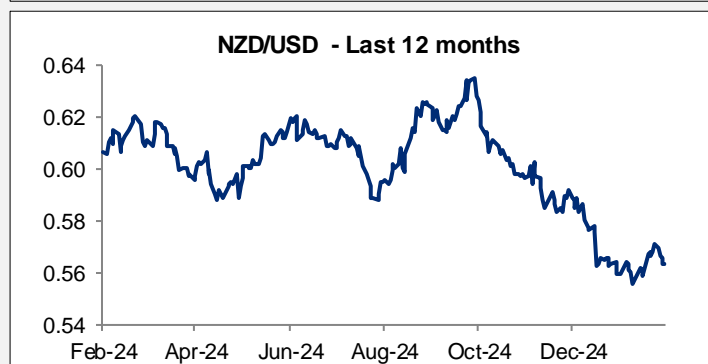
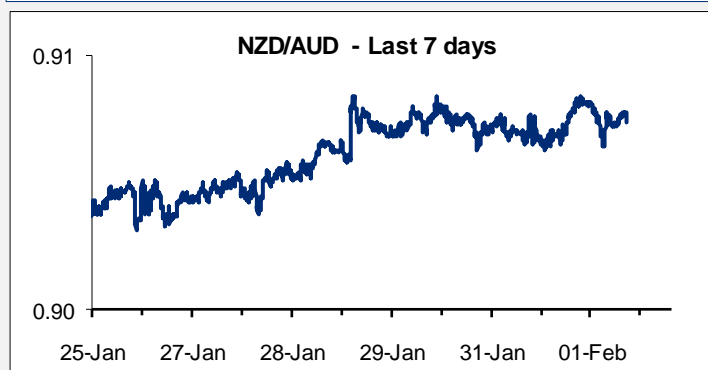
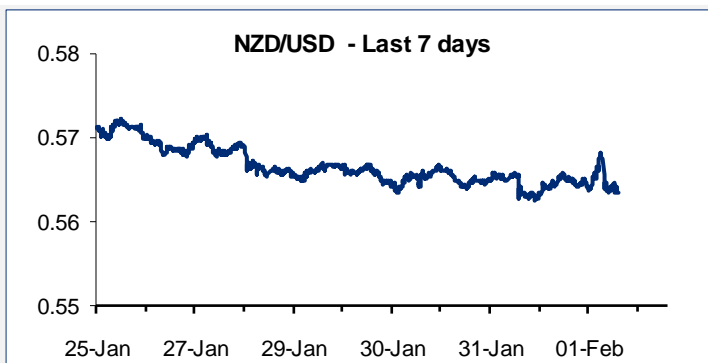
		Period	Cons.	Prev.	NZT
AU	Retail Sales (m/m%)	Dec	-0.6	0.8	13:30
AU	Retail Sales Ex Inflation (q/q%)	4Q	0.8	0.5	13:30
CH	Caixin China PMI Mfg	Jan	50.6	50.5	14:45
EC	CPI Estimate (m/m%)	Jan P	2.5	2.4	23:00
EC	CPI Core (y/y%)	Jan P	2.6	2.7	23:00
US	ISM Manufacturing	Jan	49.3	49.3	04:00
US	Fed's Bostic Speaks on Economic Outlook				06:30

Source: Bloomberg, BNZ

Currencies								Equities				Commodities				
FX Majors	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	0.5635	+0.0	0.5634	0.5684	CHF	0.9109	+0.1	S&P 500	6,041	-0.5	24.7	Oil (Brent)	76.76	-0.1		
AUD	0.6211	+0.1	0.6208	0.6263	SEK	11.097	+0.4	Dow	44,545	-0.8	16.8	Oil (WTI)	72.53	-0.3		
EUR	1.0359	-0.3	1.0360	1.0434	NOK	11.344	+0.1	Nasdaq	19,627	-0.3	29.4	Gold	2812.5	-0.4		
GBP	1.2392	-0.2	1.2386	1.2472	HKD	7.792	+0.0	Stoxx 50	5,287	+0.1	13.7	HRC steel	740.0	+1.1		
JPY	155.19	+0.6	154.49	155.22	CNY	7.245	+0.0	FTSE	8,674	+0.3	13.7	CRB	305.0	-0.5		
CAD	1.4539	+0.4			SGD	1.357	+0.3	DAX	21,732	+0.0	28.6	Wheat Chic.	572.3	-1.2		
NZD/AUD	0.9073	+0.0			IDR	16,305	+0.3	CAC 40	7,950	+0.1	3.8	Sugar	19.35	-0.6		
NZD/EUR	0.5440	+0.3			THB	33.73	+0.2	Nikkei	39,572	+0.1	9.4	Cotton	65.88	-0.6		
NZD/GBP	0.4547	+0.2			KRW	1,454	+0.8	Shanghai	3,251	-0.1	20.3	Coffee	377.9	+1.2		
NZD/JPY	87.45	+0.6			TWD	32.68	-0.3	ASX 200	8,532	+0.5	10.8	WM powder	4125	+0.4		
NZD/CAD	0.8192	+0.4			PHP	58.37	+0.1	NZX 50	12,995	+0.5	8.9	Australian Futures				
NZ TWI	67.79	+0.1						VIX Index	16.43	+3.7	+14.5	3 year bond	96.19	-0.02		
Interest Rates												10 year bond			95.52	-0.09
	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	Last	Chg				
USD	4.50	4.85	4.05	4.09	USD	4.54	0.02	15-Apr-27	3.64	-0.01	BKBM 1-mth	4.22	0.00			
AUD	4.35	4.25	3.76	4.38	AUD	4.43	0.05	15-May-28	3.78	0.01	BKBM 3-mth	3.93	-0.02			
NZD	4.25	3.93	3.44	4.09	NZD	4.59	0.02	20-Apr-29	3.90	0.02	1 year	3.51	-0.02			
EUR	3.00	2.61	2.27	2.41	GER	2.46	-0.06	15-May-30	4.02	0.02	2 year	3.44	-0.01			
GBP	4.75	5.30	4.09	4.01	GBP	4.54	-0.02	15-May-31	4.16	0.02	3 year	3.50	-0.00			
JPY	0.48	-0.03	0.76	1.16	JPY	1.25	0.03	15-May-32	4.31	0.02	5 year	3.67	0.00			
CAD	3.00	4.97	2.52	2.80	CAD	3.07	-0.06	14-Apr-33	4.41	0.02	7 year	3.86	0.00			
								15-May-34	4.50	0.02	10 year	4.09	0.01			
								15-May-35	4.59	0.02	15 year	4.34	0.01			
								15-May-36	4.67	0.01						
								15-May-37	4.77	0.01						
								15-May-41	4.96	0.01						
								15-May-51	5.13	0.01						
								15-May-54	5.12	0.02						
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer								NZ Inflation-Indexed Bonds								
Rates at NY close								Sep-30	2.28	-0.04						
Source: Bloomberg								Sep-35	2.72	-0.04						
								Sep-40	2.98	-0.03						

NZD exchange rates

1/02/2025	NY close	Prev. NY close
USD	0.5635	0.5635
GBP	0.4547	0.4537
AUD	0.9073	0.9076
EUR	0.5440	0.5423
JPY	87.45	86.94
CAD	0.8192	0.8163
CHF	0.5132	0.5126
DKK	4.0569	4.0465
FJD	1.3121	1.3160
HKD	4.3902	4.3906
INR	48.80	48.81
NOK	6.3910	6.3853
PKR	157.16	157.19
PHP	32.89	32.86
PGK	2.2590	2.2594
SEK	6.2522	6.2290
SGD	0.7644	0.7622
CNY	4.0816	4.0804
THB	18.97	19.01
TOP	1.3504	1.3618
VUV	68.99	69.85
WST	1.5813	1.5869
XPF	64.70	65.29
ZAR	10.5183	10.4779



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.52	1.79
3 Months	8.40	9.06
6 Months	21.18	22.18
9 Months	34.99	37.13
1 Year	47.73	50.73

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.47	2.13
3 Months	8.84	10.19
6 Months	22.50	25.20
9 Months	37.07	41.91
1 Year	49.08	56.08

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