

Research Markets Today

3 March 2025

Events Round-Up

NZ: ANZ consumer confidence, Feb: 0.6 vs. -4.2 prev.
 NZ: Filled jobs (m/m%), Jan: 0.3 vs. -0.1 prev.
 JN: Tokyo CPI (y/y%), Feb: 2.9 vs. 3.2 exp.
 JN: Tokyo CPI ex-fr. fd, energy (y/y%), Feb: 1.9 vs. 2 exp.
 GE: Unemployment rate (%), Feb: 6.2 vs. 6.2 exp.
 GE: CPI EU harmonised (y/y%), Feb: 2.8 vs. 2.7 exp.
 CA: GDP (Ann'lsd q/q%), Q4: 2.6 vs. 1.7 exp.
 US: Goods trade balance (\$b), Jan: -153 vs. -117 exp.
 US: Personal income(m/m%), Jan: 0.9 vs. 0.4 exp.
 US: Real personal spending (m/m%), Jan: -0.5 vs. -0.1 exp.
 US: Core PCE deflator (m/m%), Jan: 0.3 vs. 0.3 exp.
 US: Core PCE deflator (y/y%), Jan: 2.6 vs. 2.6 exp.
 US: MNI Chicago PMI, Feb: 45.5 vs. 40.8 exp.
 CH: Manufacturing PMI, Feb: 50.2 vs. 50 exp.
 CH: Non-manufacturing PMI, Feb: 50.4 vs. 50.4 exp.

Good morning

US equities staged a late-session rally on Friday to close 1.6% higher and edge back to positive returns for 2025. The market rebound was set against several macro cross currents including rising geopolitical tensions between the US and Ukraine, soft US consumption data and further developments on trade policy. Treasury Secretary Bessent said that Mexico had proposed matching US tariffs on China and urged Canada to do the same. US treasuries rallied and the US dollar closed higher.

Real personal spending fell more sharply than expected in January, despite a rise in income, suggesting greater caution by US consumers. The pullback in spending was largely attributable to vehicle purchases. Although vehicle sales are expected to recover in February, aggressive government policy changes have weighed on consumer sentiment which could form a headwind going forward.

The 0.3% rise in the core PCE deflator matched consensus expectations. The annual rate dipped to 2.6% which was the lowest rate since 2021. Some analysts are pointing to potential residual seasonality in January which may be overstating the underlying inflation pressures. The Fed's preferred inflation gauge would be expected to further converge towards the central bank's target this year but uncertainty on tariffs complicates the outlook.

The US trade deficit surged to US\$153 billion in January, well above consensus estimates, and likely reflects tariff front-running. Exports rose by 2.0%, so the wider deficit resulted from the 11.9% increase in imports, with net trade expected to weigh on GDP.

US treasuries rallied following the data. 2-year yields dipped below 4.0% for the first time since October as the market priced additional easing by the Fed. Fed funds futures imply the first 25bp rate cut by the June FOMC and a total of 68bp by year-end. 10-year treasury yields closed 5bp lower at 4.21%.

10-year bunds were little changed at 2.40%. Short end yields moved higher after German harmonized CPI was marginally above the consensus estimate but there was limited lasting market impact. S&P have put France on negative outlook due to rising government debt and weak political consensus to tackle fiscal consolidation.

Inflation in Tokyo, which is considered a leading indicator for the nationwide reading, slowed more than expected in February. However, underlying inflation is broadly holding steady, and the Bank of Japan is likely to continue considering rate hikes to reach a neutral level. There is about 25bp of tightening priced by the end of this year.

The US dollar gained after a public disagreement between President Trump and Ukraine President Zelenskyy which cast doubts about the peace process. The euro fell below 1.04. USD/CAD dropped to its session lows after Q4 GDP was stronger than expected but the move wasn't sustained.

After falling in the local session on Friday, NZD/USD was marginally weaker in offshore trade, and closed the week below 0.5600. The NZD was little changed against most G10 crosses except for NZD/JPY, which recovered from multi-month lows near 83.70, to trade back above 84.00. CFTC data revealed speculative accounts have reduced long US dollar holdings by US\$8 billion in the week to last Tuesday. Long positions in the yen have reached a record.

NZ filled jobs increased 0.3% in January driven by a solid gain in service sector positions. However, revisions to this series have been consistently lower since the beginning of last year. Overall, it does appear filled jobs will show some improvement this year albeit from a low base.

NZ fixed income moved sharply lower in the local session on Friday amid weak risk sentiment. A pickup domestic mortgage book pay-side activity was more than offset by flow from macro funds. Swaps closed the session 6-7bp lower across the curve. Government bonds outperformed with a largely parallel curve shift 9bp lower. 10-year bonds at 4.59% and outperformed on a cross-market basis against Australia.

Australian 10y bond futures are little changed since the local close on Friday, which suggests a limited directional bias, for NZ yields on the open.

NZ releases terms of trade data for the December quarter today. In the Euro area, headline inflation is expected to decrease to 2.3%, from 2.5% in January, with the core measure expected to decline to 2.6%. The manufacturing

ISM is scheduled in the US and will be monitored to see the extent which the US administrations policies are weighing on the business sector.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Terms of Trade Index (q/q%)	4Q	2.4	10:45	
CH	Caixin China PMI Mfg	Feb	50.5	50.1	14:45
EC	CPI Estimate (y/y%)	Feb P	2.3	2.5	23:00
EC	CPI Core (y/y%)	Feb P	2.6	2.7	23:00
US	ISM Manufacturing	Feb	50.5	50.9	04:00

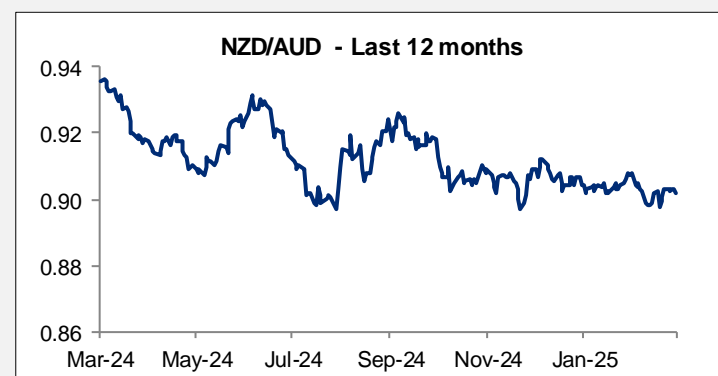
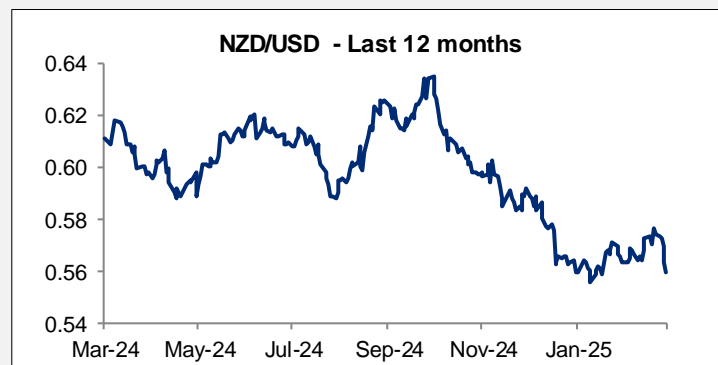
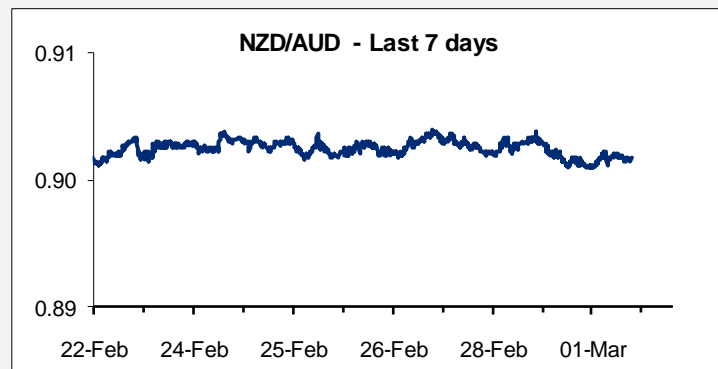
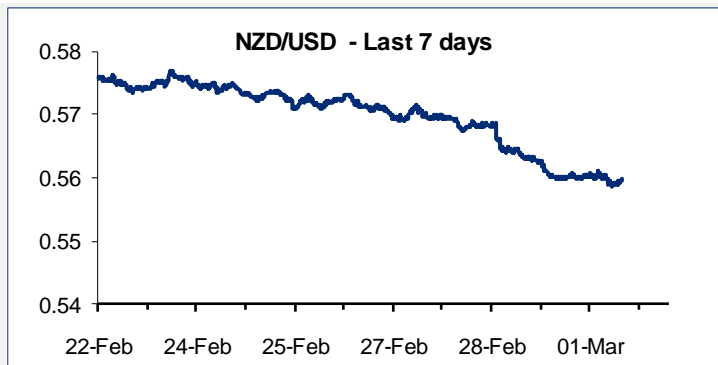
Source: Bloomberg, BNZ

Currencies							Equities				Commodities						
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)						
	Last	% Day	Low	High		Last	% Day			Last	Net Day						
NZD	0.5597	-0.6	0.5585	0.5610	CHF	0.9031	+0.4	S&P 500	5,955	+1.6	16.8	Oil (Brent)	72.81	-1.2			
AUD	0.6208	-0.4	0.6193	0.6222	SEK	10.781	+0.3	Dow	43,841	+1.4	12.4	Oil (WTI)	69.76	-0.6			
EUR	1.0375	-0.2	1.0360	1.0420	NOK	11.257	+0.1	Nasdaq	18,847	+1.6	17.1	Gold	2848.5	-1.0			
GBP	1.2579	-0.2	1.2559	1.2622	HKD	7.779	+0.0	Stoxx 50	5,464	-0.2	12.0	HRC steel	912.0	+0.9			
JPY	150.59	+0.5	149.79	150.99	CNY	7.278	-0.1	FTSE	8,810	+0.6	15.5	CRB	301.8	-1.4			
CAD	1.4468	+0.2			SGD	1.351	+0.2	DAX	22,551	+0.0	27.6	Wheat Chic.	555.8	-1.2			
NZD/AUD	0.9017	-0.2			IDR	16,596	+0.9	CAC 40	8,112	+0.1	2.3	Sugar	18.52	-0.9			
NZD/EUR	0.5395	-0.4			THB	34.26	+0.6	Nikkei	37,156	-2.9	-6.9	Cotton	63.88	-1.1			
NZD/GBP	0.4450	-0.4			KRW	1,459	+0.8	Shanghai	3,321	-2.0	9.7	Coffee	373.1	+0.2			
NZD/JPY	84.29	-0.0			TWD	32.91	+0.3	ASX 200	8,172	-1.2	5.5	WM powder	3965	+2.7			
NZD/CAD	0.8098	-0.4			PHP	57.99	+0.2	NZX 50	12,601	+0.5	7.3	Australian Futures					
NZ TWI	67.11	-0.4						VIX Index	19.63	-7.1	+46.5	3 year bond	96.26	0.05			
Interest Rates											10 year bond 95.67 0.03						
	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	4.50	4.85	3.84	3.79	USD	4.21	-0.05	15-Apr-27	3.57	-0.10	BKBM 1-mth	3.87	-0.00				
AUD	4.10	4.12	3.73	4.29	AUD	4.29	-0.04	15-May-28	3.73	-0.09	BKBM 3-mth	3.76	0.00				
NZD	3.75	3.76	3.43	4.06	NZD	4.50	-0.10	20-Apr-29	3.86	-0.09	1 year	3.41	-0.03				
EUR	2.75	2.49	2.14	2.34	GER	2.41	-0.01	15-May-30	4.00	-0.09	2 year	3.43	-0.06				
GBP	4.50	#N/A	N/A	4.02	GBP	4.48	-0.03	15-May-31	4.14	-0.09	3 year	3.51	-0.07				
JPY	0.48	-0.03	0.81	1.24	JPY	1.38	-0.02	15-May-32	4.25	-0.09	5 year	3.68	-0.07				
CAD	3.00	4.97	2.45	2.67	CAD	2.90	-0.07	14-Apr-33	4.34	-0.09	7 year	3.85	-0.06				
							NZ Inflation-Indexed Bonds			15-May-34			4.41	-0.10	10 year	4.06	-0.06
							Sep-30	2.21	-0.07	15-May-35	4.50	-0.10	15 year	4.30	-0.06		
							Sep-35	2.70	-0.07	15-May-36	4.58	-0.10					
							Sep-40	2.98	-0.08	15-May-37	4.67	-0.10					
										15-May-41	4.87	-0.10					
										15-May-51	5.05	-0.10					
										15-May-54	5.06	-0.09					

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates at NY close
Source: Bloomberg

NZD exchange rates

1/03/2025	NY close	Prev. NY close
USD	0.5597	0.5632
GBP	0.4450	0.4469
AUD	0.9017	0.9031
EUR	0.5395	0.5416
JPY	84.29	84.37
CAD	0.8098	0.8131
CHF	0.5056	0.5067
DKK	4.0235	4.0397
FJD	1.3010	1.3095
HKD	4.3545	4.3803
INR	48.99	49.11
NOK	6.3017	6.3329
PKR	156.58	157.48
PHP	32.46	32.61
PGK	2.2509	2.2618
SEK	6.0353	6.0560
SGD	0.7565	0.7594
CNY	4.0744	4.1038
THB	19.13	19.10
TOP	1.3256	1.3394
VUV	69.67	69.80
WST	1.5598	1.5749
XPF	64.24	64.63
ZAR	10.4630	10.3981



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.69	3.10
3 Months	10.09	10.86
6 Months	22.20	24.19
9 Months	33.34	35.66
1 Year	41.06	44.83

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.07	2.97
3 Months	10.10	11.73
6 Months	23.46	27.95
9 Months	36.62	42.21
1 Year	45.08	55.30

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