

Research Markets Today

4 March 2025

Events Round-Up

NZ: Terms of trade (q/q%), Q4: 3.1 vs. 1.4 exp.
 CH: Caixin PMI manufacturing, Feb: 50.8 vs. 50.1 prev.
 EC: CPI (y/y%), Feb: 2.4 vs. 2.3 exp.
 EC: CPI Core (y/y%), Feb: 2.6 vs. 2.5 exp.
 US: ISM manufacturing, Feb: 50.3 vs. 50.7 exp.

Good Morning

There is increased optimism in Europe after UK PM Starmer hosted European leaders at the weekend in a bid to support Ukraine. The UK and France said they would lead a European effort to forge a peace plan to present to President Trump. There was discussion of taking more responsibility for funding Europe's defence. French President Macron proposed a one-month ceasefire "in the air, sea and on energy infrastructure", but the word is that Europeans do not agree with this plan.

President Trump is still smarting after the train-wreck end to his public sit-down with Ukraine's President Zelenskyy, posting "this is the worst statement that could have been made...and America will not put up with it for much longer", attaching a media report quoting "Ukraine's Zelenskyy says end of war with Russia is 'very, very far away'".

European equities had a strong day, with the Euro Stoxx 600 index up 1.1%, fuelled by further gains in the "aerospace and defence" sector, up nearly 8%. By contrast, US equities show a modest fall after the strong end to last week. European currencies have outperformed, with both EUR and GBP up over 1% from last week's close to nearly 1.05 and just over 1.27 respectively. NZD/EUR traded at a five-year low around 0.5355 and NZD/GBP traded at a fresh nine-year low around 0.4420.

In economic news, the US ISM manufacturing survey was disappointing in that the direction of travel was towards stagflation. The headline index fell less than a point to 50.3, but this was propped up by a 3.6pt jump in supplier delivery times, possibly reflecting a rush of activity ahead of imminent tariffs. The underbelly of the survey was weaker, with new orders plunging 6.5pts to 48.6 and employment down 2.7pts to 47.6. On the inflation side, the prices paid index jumped 7.5pts to 62.4, its highest level since mid-2022. Industry comments noted the

incoming tariffs as a source of uncertainty and price pressures.

Euro area CPI inflation in February fell by one-tenth to 2.4% for the headline measure and 2.6% for the core measure, but both were one-tenth higher than expected. Of note, services inflation fell to 3.7%, after being sticky near the 4% mark for over a year, and higher than that earlier, which will provide some comfort to the ECB that domestic inflation pressures are moving in the right direction.

The ISM survey supported US Treasuries, with the 10-year rate falling to a low of 4.18% after earlier trading as high as 4.26% overnight. It currently sits at 4.19%, down 4bps from the NZ close. By contrast, European rates were higher, fuelled by the small miss on inflation and the outlook for much higher defence spending across the region, which will add to fiscal deficits. Germany's 10-year rate rose 8bps to 2.49%.

Higher European yields versus the US is one factor supporting the noted lift in the EUR. However, the USD is broadly weaker, with the DXY index down 1% and USD indices with a much lower weight to the EUR are down around 0.6%. Against this backdrop, the NZD has recovered some of last week's hefty loss and is up 0.7% from last week's close to 0.5635. The AUD has risen by a similar amount, to around 0.6250. NZD/AUD is flat at 0.9020. While the NZD is weaker on European crosses, as noted, it has made modest gains against CAD and JPY.

There has been no fresh news on US import tariffs, with the proposed 25% rates on Canada and Mexico, apart from a reduced 10% rate on Canadian energy products, still due to take effect 4 March (tomorrow, NZ time). And China will face an added 10% tariff rate as well, on top of the extra 10% imposed last month. The Global Times reported yesterday "China is studying and formulating relevant countermeasures in response to the US' threat of imposing an additional 10 percent tariff on Chinese products...the countermeasures will likely include both tariffs and a series of non-tariff measures, and US agricultural and food products will most likely be listed".

In the domestic rates market, there was further widening in rates between bonds and swaps, with NZGB yields up 1-3bps across the curve, with the 10-year rate up 2bps to 4.52%. The 10-year swap rate rose 1bp to 4.07% while the 2-year rate fell 1bp to 3.42%. NZ data showed a strong

3.1% lift in NZ's terms of trade in Q4, continuing their strong recovery in the face of higher commodity export prices. The export/import volume data were friendly to our GDP estimates, suggesting some small upside risk to our current 0.2% q/q pick.

In the day ahead, NZ building consents are released, followed by Australian current account data, retail sales and the minutes of the February RBA meeting, when the Bank kicked started the easing cycle. The calendar is light tonight.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
NZ	Dwelling consents (m/m%)	Jan	-5.6	10:45	
AU	Current account bal (\$b)	Q4	-12.0	-14.1	13:30
AU	RBA minutes of Feb. policy meeting				13:30
AU	Retail sales (m/m%)	Jan	0.3	-0.1	13:30
EA	Unemployment rate (%)	Jan	6.3	6.3	23:00

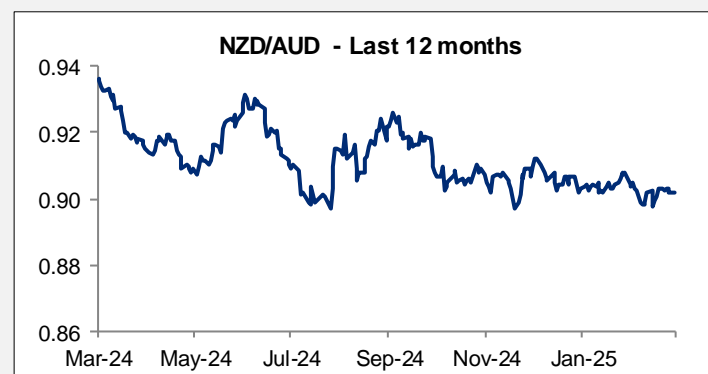
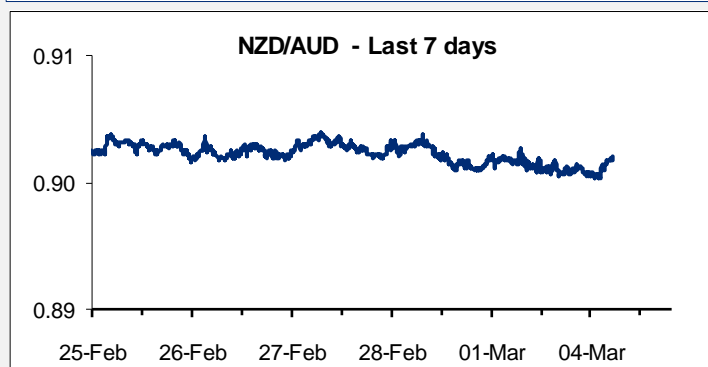
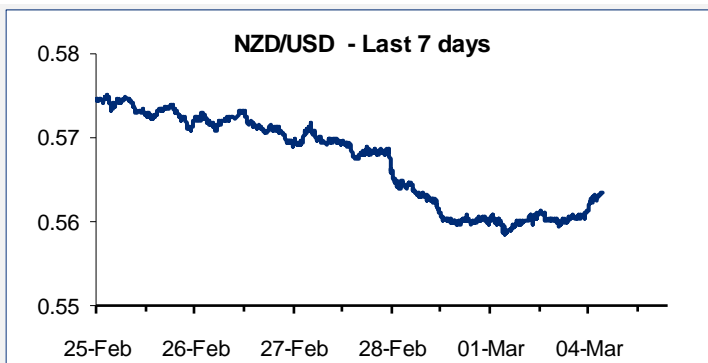
Source: Bloomberg, BNZ

Currencies						Equities				Commodities				
FX Majors	Indicative overnight ranges (*)				Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.5636	+0.7	0.5594	0.5637	CHF	0.8969	-0.7	S&P 500	5,949	-0.1	15.8	Oil (Brent)	72.80	-0.0
AUD	0.6248	+0.6	0.6209	0.6254	SEK	10.531	-2.3	Dow	43,711	-0.3	11.8	Oil (WTI)	69.63	-0.2
EUR	1.0489	+1.1	1.0389	1.0503	NOK	11.172	-0.7	Nasdaq	18,723	-0.6	15.0	Gold	2903.2	+1.9
GBP	1.2715	+1.1	1.2583	1.2715	HKD	7.776	-0.0	Stoxx 50	5,541	+1.4	13.2	HRC steel	911.0	-0.1
JPY	150.17	-0.3	149.95	151.30	CNY	7.287	+0.1	FTSE	8,871	+0.7	15.5	CRB	301.8	-1.4
CAD	1.4415	-0.3			SGD	1.345	-0.5	DAX	23,147	+2.6	30.5	Wheat Chic.	547.5	-1.5
NZD/AUD	0.9020	+0.0			IDR	16,480	-0.7	CAC 40	8,200	+1.1	3.3	Sugar	18.23	-1.6
NZD/EUR	0.5373	-0.4			THB	33.97	-0.9	Nikkei	37,785	+1.7	-5.8	Cotton	64.69	+1.3
NZD/GBP	0.4433	-0.5			KRW	1,458	-0.1	Shanghai	3,317	-0.1	9.1	Coffee	385.2	+3.2
NZD/JPY	84.64	+0.4			TWD	32.91	+0.0	ASX 200	8,246	+0.9	6.6	WM powder	3975	+0.3
NZD/CAD	0.8124	+0.3			PHP	57.91	-0.1	NZX 50	12,550	-0.4	7.0	Australian Futures		
NZ TWI	67.37	+0.3						VIX Index	20.14	+2.6	+53.6	3 year bond	96.23	-0.03
Interest Rates										10 year bond			95.66	-0.01
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	3.77	USD	4.19	-0.02	15-Apr-27	3.58	0.01	BKBM 1-mth	3.87	0.00	
AUD	4.10	4.12	3.74	4.30	AUD	4.33	0.03	15-May-28	3.74	0.02	BKBM 3-mth	3.73	-0.02	
NZD	3.75	3.73	3.42	4.07	NZD	4.52	0.02	20-Apr-29	3.87	0.01	1 year	3.38	-0.03	
EUR	2.75	2.46	2.17	2.40	GER	2.49	0.09	15-May-30	4.02	0.02	2 year	3.42	-0.01	
GBP	4.50	#N/A	N/A	4.06	GBP	4.56	0.07	15-May-31	4.17	0.03	3 year	3.50	-0.01	
JPY	0.48	-0.03	0.83	1.29	JPY	1.41	0.04	15-May-32	4.28	0.02	5 year	3.67	-0.00	
CAD	3.00	4.97	2.44	2.68	CAD	2.90	0.00	14-Apr-33	4.36	0.02	7 year	3.85	0.00	
						NZ Inflation-Indexed Bonds			15-May-34	4.43	0.02	10 year	4.07	0.01
						Sep-30	2.22	0.01	15-May-35	4.52	0.02	15 year	4.31	0.01
						Sep-35	2.71	0.00	15-May-36	4.60	0.02			
						Sep-40	2.99	0.01	15-May-37	4.69	0.02			
									15-May-41	4.89	0.02			
									15-May-51	5.07	0.01			
									15-May-54	5.08	0.01			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:55
 Source: Bloomberg

NZD exchange rates

4/03/2025 6:55 am		Prev. NY close
USD	0.5636	0.5598
GBP	0.4433	0.4451
AUD	0.9020	0.9016
EUR	0.5373	0.5396
JPY	84.64	84.32
CAD	0.8124	0.8095
CHF	0.5055	0.5056
DKK	4.0076	4.0235
FJD	1.3162	1.3010
HKD	4.3825	4.3545
INR	49.24	48.99
NOK	6.2967	6.3017
PKR	157.65	156.53
PHP	32.64	32.46
PGK	2.2635	2.2509
SEK	5.9350	6.0353
SGD	0.7578	0.7565
CNY	4.1068	4.0744
THB	19.26	19.13
TOP	1.3362	1.3256
VUV	70.33	69.67
WST	1.5835	1.5598
XPF	64.49	64.24
ZAR	10.4848	10.4630



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.96	3.16
3 Months	10.27	10.76
6 Months	22.86	24.06
9 Months	33.84	35.84
1 Year	42.82	45.82

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.47	2.93
3 Months	10.22	11.44
6 Months	24.60	27.63
9 Months	37.46	42.17
1 Year	48.67	56.32

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Matt Brunt
Economist

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.