

Research Markets Today

6 March 2025

Events Round-Up

AU: GDP (q/q%), Q4: 0.6 vs. 0.6 exp.

CH: Caixin PMI services, Feb: 51.4 vs. 50.7 exp.

US: ADP employment change (k), Feb: 77 vs. 140 exp.

US: ISM services index, Feb: 53.5 vs. 52.5 exp.

Good morning

There have been large moves across European markets after Germany revealed plans to reform its debt brake to allow for more defence and infrastructure spending. This contributed to a significant increase in European yields, a stronger euro and large gains for European equity indices. The Dax closed more than 3% higher. This provided a contrast with more subdued price action in US markets where the S&P is modestly higher.

Germany's Chancellor-in-waiting Friedrich Merz has announced it will exempt defence spending from limits on fiscal spending and to do 'whatever it takes' to defend the country. He also announced the launch of a €500b infrastructure fund. 10-year bund yields surged 30bp to 2.78%, the largest one-day move since 1997, as bond markets looked ahead to extra government borrowing which saw bund swap spreads fall to a new record low.

The ISM services index increased to 53.5 from 52.8 in February. This was above consensus estimates and provided reassurance after the recent run downside surprises to activity data. The employment index climbed to an 18-month high of 53.9, and the prices paid index increased, suggesting companies may be facing cost pressures ahead of the implementation of tariffs.

ADP payrolls data was weaker than expected, although noting the caveat that this series does not have a strong relationship with the monthly official labour market report, which is released at the end of the week. ADP reported a 77k increase in private payrolls undershooting consensus expectations for a 140k gain.

Price action in treasuries was mild compared with the moves seen in European markets. US 2-year treasuries fell to the session low near 3.90% after the ADP data but partially rebounded after the services ISM beat expectations. The 2y/10y treasury curve steepened to 30bp with 10-year yields 2bp higher at 4.26%.

In commodity markets, Oil prices extended the recent decline. Brent crude futures fell below US\$69 per barrel, the lowest level since December 2021.

The US dollar has fallen sharply against G10 currencies. The largest move in the major pairings was against the euro, which has gained more than 2% since the start of local trading yesterday. The EUR/USD move extended higher overnight, to the highest level since November, and Scandinavian currencies also performed strongly.

The NZD made solid gains and is almost 1% stronger against the US dollar in offshore trade. However, NZD/EUR has continued the sharp decline, and fell below 0.5300 overnight, which is the lowest level in five years.

RBNZ Governor Orr unexpectedly resigned yesterday after three years into his five-year term. There was no reason given for his sudden departure and he will finish in the role at the end of March. His acting replacement, deputy governor Hawkesby, is likely to maintain continuity within the Monetary Policy Committee and we don't view this as impactful for the monetary policy outlook.

NZ fixed income yields moved sharply higher, and the curve steepened in the local session yesterday, reflecting moves in offshore markets in the absence of domestic data. Governor Orr's resignation contributed to a knee-jerk move higher in 2-year rates which was subsequently unwound. 2-year rates closed 5bp higher at 3.45% and 10-year increased 9bp to 4.12%.

10-year government bonds underperformed swaps closing 11bp higher at 4.60%. Australian 10y bond futures are 4bp higher in yield terms since the local close yesterday, which suggests an upward bias, for NZ yields on the open.

There will be NZ\$500 million of nominal bonds offered in the weekly tender today split across May-28 (\$250m), May-36 (\$200m) and May-41 (\$50m). There is also \$30 million of Sep-40 inflation indexed bonds being tendered. IIB tender volumes have picked up this fiscal year albeit while remaining a tiny proportion of the total funding. Recent tenders have attracted solid demand from investors with coverage ratios averaging near 5 since January.

Turning to the day ahead, in NZ we get more GDP partial data in the form of building work. We look for total real building work put in place to fall around 2% q/q to be consistent with our 0.2% q/q forecast for Q4 GDP. Building approvals and the trade balance for January are released in Australia. Later this evening, the European Central Bank is unanimously expected to reduce rates by 25bp to 2.5%, which is fully discounted by market pricing. New ECB staff forecasts will be released.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Volume of All Buildings (q/q%)	4Q	-1.4	-3.2	10:45
AU	Building Approvals (m/m%)	Jan	0	0.7	13:30
AU	Trade Balance	Jan	5900	5085	13:30
EC	ECB Deposit Facility Rate	Mar	2.5	2.75	02:15
US	Trade Balance	Jan	-128.9	-98.4	02:30
US	Initial Jobless Claims	1 Mar	232.5	242	02:30

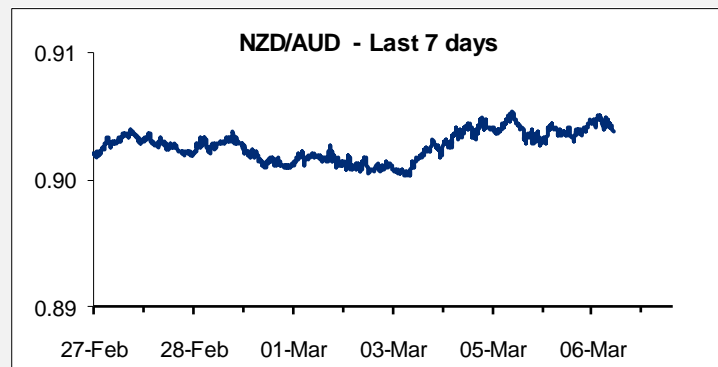
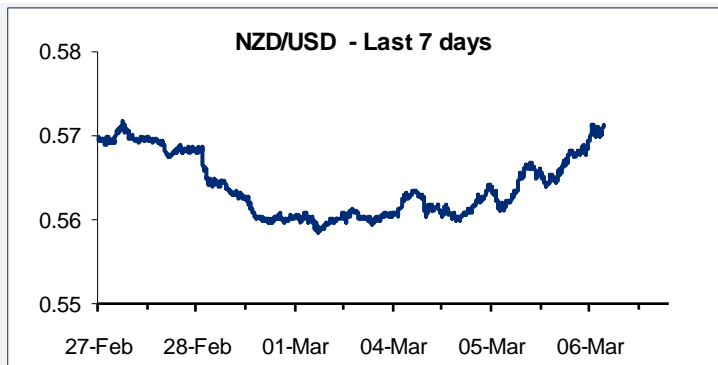
Source: Bloomberg, BNZ

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	0.5713	+0.8	0.5650	0.5715	CHF	0.8910	+0.2	S&P 500	5,793	+0.3	14.1	Oil (Brent)	68.93	-2.9	
AUD	0.6321	+0.8	0.6253	0.6321	SEK	10.222	-1.9	Dow	42,784	+0.6	10.9	Oil (WTI)	65.90	-3.4	
EUR	1.0786	+1.5	1.0624	1.0787	NOK	10.927	-1.5	Nasdaq	18,407	+0.6	15.5	Gold	2927.7	+0.2	
GBP	1.2880	+0.7	1.2787	1.2880	HKD	7.772	+0.0	Stoxx 50	5,489	+1.9	12.2	HRC steel	926.0	+0.8	
JPY	148.70	-0.7	148.40	149.81	CNY	7.235	-0.4	FTSE	8,756	-0.0	14.5	CRB	301.2	+0.3	
CAD	1.4362	-0.2			SGD	1.331	-0.6	DAX	23,081	+3.4	30.4	Wheat Chic.	548.8	+2.3	
NZD/AUD	0.9038	+0.1			IDR	16,313	-0.8	CAC 40	8,174	+1.6	3.0	Sugar	18.21	+0.6	
NZD/EUR	0.5297	-0.6			THB	33.60	-0.2	Nikkei	37,418	+0.2	-6.7	Cotton	61.62	-0.7	
NZD/GBP	0.4436	+0.2			KRW	1,445	-0.9	Shanghai	3,342	+0.5	9.9	Coffee	408.3	+2.4	
NZD/JPY	84.95	+0.2			TWD	32.80	-0.4	ASX 200	8,141	-0.7	5.3	WM powder	3980	+1.0	
NZD/CAD	0.8205	+0.6			PHP	57.33	-0.8	NZX 50	12,412	-0.5	5.2	Australian Futures			
NZ TWI	67.66	+0.2						VIX Index	23.12	-1.7	+59.9	3 year bond	96.24	-0.05	
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	4.50	4.85	3.80	3.83	USD	4.25	0.01	15-Apr-27	3.61	0.06	BKBM 1-mth	3.86	-0.01		
AUD	4.10	4.12	3.73	4.39	AUD	4.35	0.08	15-May-28	3.79	0.09	BKBM 3-mth	3.72	-0.01		
NZD	3.75	3.72	3.45	4.12	NZD	4.60	0.12	20-Apr-29	3.93	0.09	1 year	3.40	0.02		
EUR	2.75	2.49	2.32	2.63	GER	2.79	0.30	15-May-30	4.07	0.09	2 year	3.45	0.05		
GBP	4.50		4.10	4.13	GBP	4.68	0.15	15-May-31	4.23	0.09	3 year	3.53	0.07		
JPY	0.48	-0.03	0.84	1.32	JPY	1.45	0.02	15-May-32	4.34	0.09	5 year	3.71	0.08		
CAD	3.00	4.97	2.40	2.71	CAD	2.94	0.01	14-Apr-33	4.42	0.10	7 year	3.90	0.09		
								15-May-34	4.51	0.11	10 year	4.12	0.09		
								15-May-35	4.60	0.12	15 year	4.35	0.09		
								15-May-36	4.69	0.12					
					NZ Inflation-Indexed Bonds										
					Sep-30	2.29	0.10	15-May-37	4.78	0.12					
					Sep-35	2.77	0.10	15-May-41	4.99	0.14					
					Sep-40	3.05	0.10	15-May-51	5.16	0.13					
								15-May-54	5.17	0.13					

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:42
 Source: Bloomberg

NZD exchange rates

6/03/2025	6:43 am	Prev. NY close
USD	0.5713	0.5666
GBP	0.4436	0.4428
AUD	0.9038	0.9034
EUR	0.5297	0.5332
JPY	84.95	84.87
CAD	0.8205	0.8156
CHF	0.5090	0.5039
DKK	3.9509	3.9774
FJD	1.3209	1.3158
HKD	4.4403	4.4033
INR	49.68	49.45
NOK	6.2425	6.2840
PKR	159.86	158.48
PHP	32.76	32.73
PGK	2.2971	2.2782
SEK	5.8396	5.9047
SGD	0.7604	0.7586
CNY	4.1332	4.1157
THB	19.22	19.17
TOP	1.3570	1.3536
VUV	71.36	70.77
WST	1.5985	1.5879
XPF	64.31	64.25
ZAR	10.4788	10.4752



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.94	3.13
3 Months	10.95	11.36
6 Months	23.25	24.25
9 Months	33.56	35.56
1 Year	41.10	44.10

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.30	2.78
3 Months	10.76	11.83
6 Months	23.94	26.66
9 Months	35.84	40.75
1 Year	45.88	53.48

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