

Research Markets Today

7 February 2025

Events Round-Up

NZ: Unemployment rate, Q4: 5.1 vs. 5.1 exp.
 NZ: Employment (q/q%), Q4: -0.1 vs. -0.2 exp.
 NZ: LCI pvt wages x overtime (q/q%), Q4: 0.6 vs. 0.6 exp.
 JN: Scheduled FT pay (y/y%), Dec: 2.8 vs. 2.8 exp.
 CH: Caixin PMI services, Jan: 51.0 vs. 52.4 exp.
 US: ADP employment change (k), Jan: 183 vs. 150 exp.
 US: ISM services, Jan: 52.8 vs. 54.0 exp.
 GE: Factory orders (m/m%), Dec: 6.9 vs. 2.0 exp.
 UK: Bank of England Bank Rate (%), Feb: 4.5 vs. 4.5 exp.
 US: Nonfarm productiv. (ann'lsd q/q%), Q4 1.2 vs. 1.2 exp.
 US: Initial jobless claims (k), wk to 1-Feb: 219 vs. 213 exp.

Good Morning

US equities continue to push higher with modest gains while the US 10-year rate is down 7bps from the NZ close before the Waitangi Day holiday, albeit modestly higher for the current trading day. GBP has been the weakest of the majors, JPY has been the strongest, and the NZD has been range-bound between 0.5650-0.57.

In overnight news, as widely expected the BoE cut its policy rate for a third time by 25bps to 4.5% but surprisingly the MPC vote was 7-2, with two dissents voting for a larger 50bps cut, including the usually hawkish Catherine Mann. The policy outlook statement signalled a “gradual and careful approach” to future rate cuts, the addition of the word “careful” a change from the previous statement. The inflation forecasts showed a temporary sharp rise to 3.7% later this year (up from a previous peak of 2.8%), while projected growth for 2025 was halved to 0.75%.

Despite the mixed messages, initially the market put more weight on the more dovish vote, driving down rates and GBP, but much of this reversed. The market currently prices a further 60bps of rate cuts this year, little changed from the previous close and the 2-5bps lift in UK gilt yields for the day is broadly in line with US rates. GBP fell to almost 1.2360 and is currently 1.2440. Relative to the NZ close before Waitangi Day, this still makes GBP the weakest of the majors and NZD/GBP is up modestly to 0.4560.

In economic data, US initial jobless claims rose 11k to 219k last week, higher than expected, but the bigger picture being one of claims remaining relatively low and no change to the narrative that the labour market is close to equilibrium. Productivity grew at an annualised 1.2% in Q4, seeing unit labour costs at 3.0%, with a y/y increase of 2.7%, broadly in line with core PCE inflation. The previous day the key release was the ISM services index, which came in weaker than expected, falling 1.2pts to 52.8, alongside a 4pts fall in the prices paid index to 60.4.

On Wednesday, the US Treasury said it planned to keep the size of longer-dated Treasury issuance constant for the next several quarters, calming fears that new Treasury Secretary Bessent would favour an increase, in lieu of short-term debt or T-bills. Yesterday, Bessent told Fox Business that the Trump administration’s focus is on bringing down 10-year Treasury yields, not the Fed Funds rates. He believes expanding energy supply to help lower inflation and reducing the budget deficit will help bring down the 10-year rate.

At the NZ close pre-Waitangi Day, the US 10-year rate was trading at 4.51% and it fell to a low of 4.40% yesterday morning and has since pushed higher to 4.44%. The global backdrop has been one of modestly upside pressure on rates for the current trading day, reversing some of the previous day’s decline.

The NZD has traded broadly in a 0.5650-0.57 range since the last NZ close, the lift to just above that range post the soft US ISM services report proving temporary. NZD/CAD and NZD/EUR show little net movement since pre-Waitangi Day, while NZD/AUD is down modestly to 0.9030. The yen is the strongest of the majors, with USD/JPY trading just below 152, its lowest level in over a month, while NZD/JPY has pushed down towards 86.

Japan wages rose by 4.8% y/y in December, a fresh three decade high, driven by a jump in bonuses. The measure the market is more interested in – scheduled full-time pay on the same base – rose an in-line 2.8% y/y, showing some relative stability over the past six months. Focus turns to the next spring round of negotiations. The yen received a temporary boost yesterday after BoJ board member Tamura believed two more rate hikes by early next year to take the policy rate to 1.0% would be required to contain upside risks for prices. The yen continues to hold appeal, being historically extremely cheap, the BoJ tightening against the grain of easier policy elsewhere, and the yen’s

NZD exchange rates

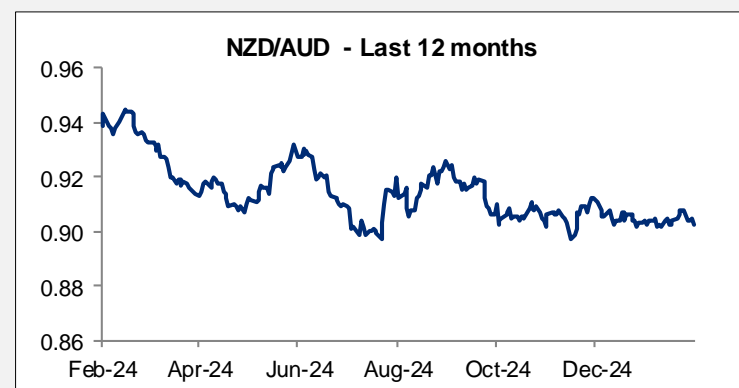
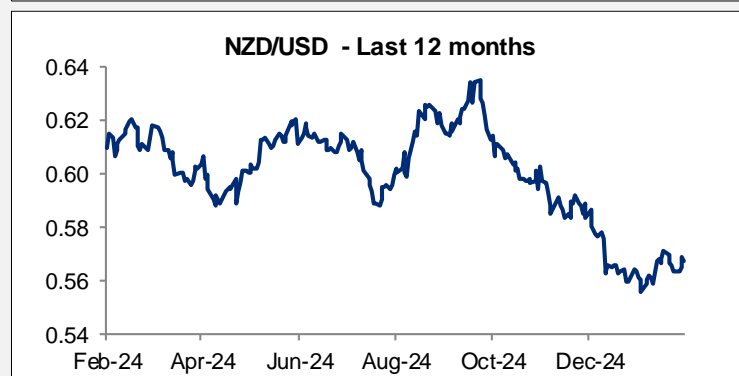
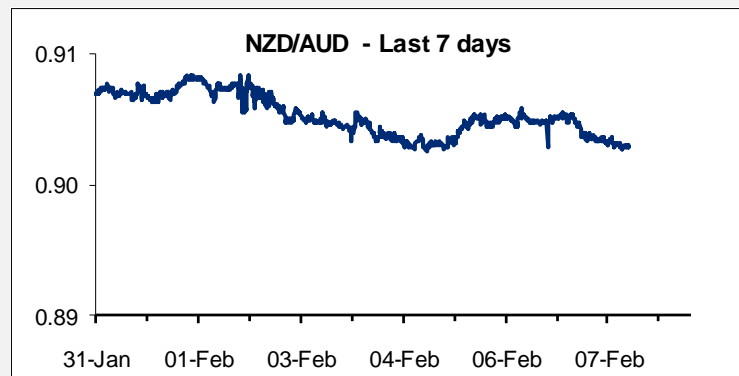
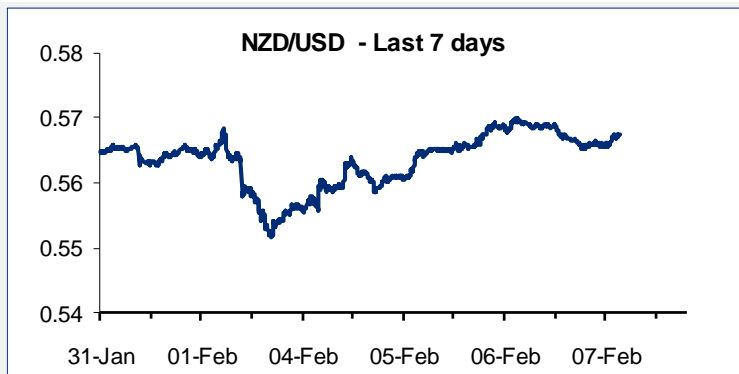
7/02/2025	6:58 am	Prev. NY close
USD	0.5674	0.5688
GBP	0.4561	0.4549
AUD	0.9029	0.9050
EUR	0.5467	0.5468
JPY	86.17	86.80
CAD	0.8120	0.8140
CHF	0.5113	0.5129
DKK	4.0670	4.0795
FJD	1.3173	1.3234
HKD	4.4061	4.4289
INR	49.56	49.75
NOK	6.3759	6.3859
PKR	157.86	158.67
PHP	32.93	33.05
PGK	2.2911	2.2816
SEK	6.1832	6.2042
SGD	0.7653	0.7670
CNY	4.1233	4.1364
THB	19.12	19.10
TOP	1.3709	1.3729
VUV	70.37	70.56
WST	1.5989	1.6046
XPF	64.88	65.14
ZAR	10.5630	10.5563

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.02	2.20
3 Months	9.54	9.97
6 Months	23.03	24.03
9 Months	37.44	39.36
1 Year	51.09	54.09

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.87	2.32
3 Months	9.69	10.94
6 Months	23.12	25.83
9 Months	36.02	41.41
1 Year	48.69	56.56



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