# 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

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safe-haven characteristics during uncertain times amidst a possible US trade war.

Post the Chinese New Year holidays, all eyes were on the PBoC in how it set the CNY reference following the US reigniting the US-China trade war, following the increased 10% tariff rate. In the event, the PBoC continued to set a strong level, signaling an unwillingness, at this juncture, to use the yuan as a weapon to counteract tariffs.

In the domestic rates market on Wednesday, the weekly bond tender against attracted strong bidding interest, with bid cover ratios of around 4-5½ across the three lines on offer, and all clearing 2bps through pre-tender mids. However, the net movement in yields for the day was small, with yields down 1bp across the curve. That was an underperformance relative to the swap market, where the 2-year rate was marked up 4bps to 3.37% and the 10-year rate was up 2bps. NZ labour market data, showing weak employment, the unemployment rate rising to a fresh four-year high of 5.1%, and softer wage inflation were in line with market and RBNZ expectations.

While the US 10-year is 7bps lower since the last NZ close, the Australian 10-year bond future is only down about 2bps in yield terms.

On the economic calendar, focus will be on the US employment report tonight. The release will incorporate the previously flagged significant downward revisions following the annual benchmarking exercise, in the order of 600-700k for the level. For January, the consensus sees 170k employment growth leading to an unchanged unemployment rate of 4.1% and modest average hourly earnings growth of 0.3% m/m.

jason.k.wong@bnz.co.nz

# **Coming Up**

		Period	Cons.	Prev.	NZT
GE	Industrial production (m/m%)	Dec	-0.7	1.5	20:00
CA	Unemployment rate (%)	Jan	6.8	6.7	02:30
US	Change in nonfarm payrolls (k)	Jan	170	256	02:30
US	Unemployment rate (%)	Jan	4.1	4.1	02:30
US	Avg hourly earnings (m/m%)	Jan	0.3	0.3	02:30
US	Avg hourly earnings (y/y%)	Jan	3.8	3.9	02:30
US	U. of Mich.consumer sentiment	Feb	71.8	71.1	04:00
US	U. of Mich. 5-10y inflation expectat.	Feb	3.2	3.2	04:00

Source: Bloomberg, BNZ

Currenci	es							Equities				Commodities	S	
FX Majors	Inc	dicative o	vernight	ranges (*)	Other F	х		Major Indice	es			Price (Near fu	tures, exce	pt CRB)
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day
NZD	0.5674	-0.2	0.5652	0.5676	CHF	0.9050	+0.4	S&P 500	6,072	+0.2	22.6	Oil (Brent)	74.37	-0.4
AUD	0.6284	+0.0	0.6255	0.6286	SEK	10.905	-0.0	Dow	44,767	-0.2	16.2	Oil (WTI)	70.71	-0.5
EUR	1.0378	-0.2	1.0353	1.0393	NOK	11.224	-0.0	Nasdaq	19,751	+0.3	26.5	Gold	2855.5	-0.6
GBP	1.2441	-0.5	1.2361	1.2491	HKD	7.787	-0.0	Stoxx 50	5,357	+1.6	14.2	HRC steel	740.0	-0.3
JPY	151.87	-0.5	151.66	152.89	CNY	7.286	+0.2	FTSE	8,727	+1.2	13.6	CRB	308.0	-0.4
CAD	1.4311	+0.0			SGD	1.351	+0.2	DAX	21,902	+1.5	28.6	Wheat Chic.	597.8	+2.3
NZD/AUD	0.9029	-0.2			IDR	16,341	+0.3	CAC 40	8,008	+1.5	4.8	Sugar	19.64	-0.7
NZD/EUR	0.5467	+0.0			THB	33.81	+0.7	Nikkei	39,067	+0.6	8.2	Cotton	66.03	-0.0
NZD/GBP	0.4561	+0.3			KRW	1,447	+0.3	Shanghai	3,271	+1.3	15.6	Coffee	403.0	+1.2
NZD/JPY	86.17	-0.7			TWD	32.85	+0.0	ASX 200	8,521	+1.2	11.9	WM powder	4175	+2.3
NZD/CAD	0.8120	-0.2			PHP	58.16	+0.2	NZX 50	12,845	-0.5	7.5	Australian Fu	tures	
NZ TW I	67.86	+0.5						VIX Index	15.52	-1.6	+18.8	3 year bond	96.28	0.02
Interest F	Rates							-				10 year bond	95.62	-0.04
	Rates		Swap Yie	elds	Benchn	nark 10 Y	r Bonds	NZ Governm	nent Bond	S		NZ BKBM and	Swap Yi	elds
-	Cash	3Mth	2 Yr	10 Yr		Last	Net Day	-		Last	Chg		Last	Chg
USD	4.50	4.85	4.05	4.01	USD	4.44	0.02	15-Apr-27		3.53	-0.01	BKBM 1-mth	4.13	-0.02
AUD	4.35	4.21	3.74	4.34	AUD	4.32	-0.04	15-May-28		3.69	-0.01	BKBM 3-mth	3.88	-0.01
NZD	4.25	3.88	3.37	4.06	NZD	4.54	-0.01	20-Apr-29		3.82	-0.01	1 year	3.44	0.02
EUR	2.75	2.53	2.20	2.32	GER	2.38	0.01	15-May-30		3.94	-0.01	2 year	3.37	0.04
GBP	4.50	5.30	4.02	3.97	GBP	4.49	0.05	15-May-31		4.09	-0.01	3 year	3.43	0.03
JPY	0.48	-0.03	0.80	1.20	JPY	1.28	-0.01	15-May-32		4.24	-0.01	5 year	3.62	0.03
CAD	3.00	4.97	2.49	2.75	CAD	2.99	0.04	14-Apr-33		4.35	-0.01	7 year	3.82	0.02
								15-May-34		4.45	-0.01	10 year	4.06	0.02
								15-May-35		4.54	-0.01	15 year	4.31	0.02
					NZ Infla	tion-Inde	exed Bonds	15-May-36		4.62	-0.01			
* These are	indicative	ranges froi	m 5pm NZ	Γ;	Sep-30	2.19	-0.03	15-May-37		4.72	-0.01			
please confirm rates with your BNZ dealer Sep-35 2.68 -0.02			15-May-41		4.91	-0.01								
Rates are as of: NZT 06:58 Sep-40 2.95 -0.01			15-May-51		5.07	-0.01								
Source: Bloc	mberg							15-May-54		5.07	-0.01			

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NZD exchang	e 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
	7/02/2025 USD GBP AUD EUR JPY CAD CHF DKK FJD HKD INR NOK PKR PHP PGK SEK SGD CNY THB TOP VUV WST XPF	USD 0.5674 GBP 0.4561 AUD 0.9029 EUR 0.5467 JPY 86.17 CAD 0.8120 CHF 0.5113 DKK 4.0670 FJD 1.3173 HKD 4.4061 INR 49.56 NOK 6.3759 PKR 157.86 PHP 32.93 PGK 2.2911 SEK 6.1832 SGD 0.7653 CNY 4.1233 THB 19.12 TOP 1.3709 VUV 70.37 WST 1.5989 XPF 64.88

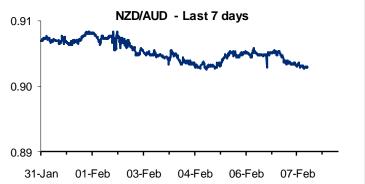
# NZD/USD Forward Points

	<b>BNZ</b> 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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# **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

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