

Research Markets Today

7 March 2025

Events Round-Up

NZ: Vol. of building work (q/q%), 4Q: -4.4 vs. -3.0 prev.

AU: Building approvals (m/m%), Jan: 6.3 vs. 0.0 exp.

AU: Trade balance (\$b), Jan: -5.6 vs. -5.9 exp.

EC: ECB deposit facility rate (%), Mar: 2.5 vs. 2.5 exp.

US: trade balance (\$b), Jan: 131.4 vs. -128.8 exp.

US: Initial jobless claims, wk to 1 Mar: 221 vs. 233 exp.

Good Morning

News on tariffs continues to inject volatility into markets. Soon after we went to press yesterday the White House announced a one-month exemption for automakers that comply with the North American trade agreement known as USMCA, which drove stronger US equities into the close. In overnight news, Commerce Secretary Lutnick told CNBC that President Trump is likely to defer his 25% tariffs on Canada and Mexico for all goods and services covered by USMCA and President Trump confirmed this an hour later for Mexico, and we await any announcement for Canada. Trading in US equities has been choppy, and the market is falling rapidly as we go to print, with the S&P500 down around 2%.

US data showing the US trade deficit exploded higher to \$131b for the month of January, a record – as forewarned by the advance goods estimate last week – got President Trump’s attention. He posted on Truth Social “Massive Trade Deficit with the World, just announced, compliments of Sleepy Joe Biden! I will change that!!!”. The reality is that imports shot up 10% as companies front-loaded activity to get ahead of the proposed tariffs. Nevertheless, data like these will only encourage President Trump to go ahead with his “reciprocal tariffs” plan next month in a belief that these will reduce the deficit.

Initial jobless claims fell 21k last week to 221k, confirming that last week’s spike higher was not indicative of a sudden deterioration in the labour market. That said, continuing claims rose to an almost three-year high and separate data from Challenger and Co showed February job layoffs soared to 172k in February, the highest number since mid-2020, led by federal government, retail and IT sectors. Some analysts say job losses of federal workers and the flow-on impact to the private sector could top half a million by the end of the year.

The ECB delivered the expected 25bps cut to its policy rates, taking the deposit rate down to 2.5%, its sixth rate cut since June. Language in the policy statement was changed to suggest that the monetary policy stance had become “meaningfully less restrictive”. President Lagarde said that the disinflation process is well on track, but she wouldn’t commit on the path ahead for rates, saying that the backdrop is changing “dramatically” from one day to another. The market continues to see a slowdown in the pace of easing from here, with reasonable scope for a pause in the cutting cycle in April and two more full rate cuts this year which would take the deposit rate to 2%.

For the rates market, the ECB decision was a sideshow to larger forces in action in the wake of Germany’s decision earlier this week to ease the constitutional debt break in a bid to ramp up spending on defence and infrastructure. The superlatives around this game-changing decision have been flowing from media and analysts and the large reaction in European rates markets and the euro have continued to the direction of higher rates and a stronger EUR.

Following on from the massive 30bps lift in Germany’s 10-year rate yesterday, another 4bps have been tacked on, making it the worst German bond rout since 1990, and with spillover effects to other markets. The UK has been an exception, where its 10-year rate has fallen 2bps. The US 10-year rate traded at its highest level this week, with an overnight high of 4.34% and currently 4.30%, down slightly from the NZ close and up 2bps for the day. The 2s10s curve has steepened 4bps, with the 2-year rate down back below 4%.

The USD is weaker for a fourth day running, with further broad weakness for the day – it is becoming more evident that USD strength in Q4 reflected the market front-running tariffs, meaning that their imposition isn’t necessarily USD-positive from here, and the constant threat of tariffs and uncertainty they are causing is driving a weaker US economy and confidence around the outlook.

EUR continued to push higher in the wake of Germany’s historic decision on fiscal policy, and with the ECB providing a supporting role. It traded above 1.0850 overnight for the first time since November and currently near 1.08. NZD/EUR found some support just under 0.53 and is currently 0.5320.

Safe-haven currencies CHF and JPY have been the strongest of the majors in the wake of policy uncertainty. USD/JPY fell to a fresh five-month low of 147.30 and is currently down 1% overnight to 147.80.

Broad USD weakness has helped the NZD push up to around 0.5750 and the AUD to 0.6340. NZD/AUD has pushed up to 0.9060. GBP has been relatively flat, so NZD/GBP has recovered to 0.4460.

Global forces drove up NZ rates across the curve yesterday, with a steepening bias. The 10-year NZGB rate closed up 9bps to 4.69%, outperforming the swaps market, with 10-year swap up 11bps to 4.23%. The 2-year swap rate rose 5bps to 3.49%. Higher rates into the weekly bond tender was a blessing, with lines well supported, although less so for the 2036s. Overnight, the Australian 10-year bond future is down 7bps in yield terms.

On the calendar, market focus will be on the US employment report, with the consensus expecting a 160k gain in non-farm payrolls, a steady unemployment rate of 4.0% and modest average hourly earnings growth of 0.3% m/m. A number of Fed speakers will be out in force,

including Governor Waller this morning and Chair Powell overnight. China trade data today and Canada's employment report tonight will also be on the radar.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
US	Fed's Waller speaks on the economic outlook				09:30
CH	Exports (USD, ytd y/y%)	Feb	6.8	5.9	
CH	Imports (USD, ytd y/y%)	Feb	1.0	1.1	
GE	Factory orders (m/m%)	Jan	-2.5	6.9	20:00
CA	Unemployment rate (%)	Feb	6.7	6.6	02:30
US	Chge in nonfarm payrolls (k)	Feb	160	143	02:30
US	Avg hourly earnings (m/m%)	Feb	0.3	0.5	02:30
US	Avg hourly earnings (y/y%)	Feb	4.1	4.1	02:30
US	Unemployment rate (%)	Feb	4.0	4.0	02:30
US	Fed's Powell gives keynote speech				06:30

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	% Year		Last	Net Day				
NZD	0.5745	+0.3	0.5727	0.5760	CHF	0.8835	-0.9		S&P 500	5,725	-2.0	12.2	Oil (Brent)	69.26	-0.0
AUD	0.6343	+0.1	0.6323	0.6364	SEK	10.169	-0.3		Dow	42,493	-1.2	9.9	Oil (WTI)	66.16	-0.2
EUR	1.0800	+0.1	1.0781	1.0853	NOK	10.880	-0.4		Nasdaq	18,118	-2.3	13.0	Gold	2924.6	-0.1
GBP	1.2894	+0.0	1.2866	1.2924	HKD	7.771	+0.0		Stoxx 50	5,520	+0.6	12.3	HRC steel	920.0	-0.6
JPY	147.82	-0.7	147.32	148.96	CNY	7.241	+0.0		FTSE	8,683	-0.8	13.1	CRB	301.5	+0.1
CAD	1.4302	-0.3			SGD	1.332	+0.1		DAX	23,419	+1.5	32.2	Wheat Chic.	559.3	+2.0
NZD/AUD	0.9057	+0.2			IDR	16,340	+0.2		CAC 40	8,198	+0.3	3.1	Sugar	18.14	-0.4
NZD/EUR	0.5319	+0.2			THB	33.68	+0.2		Nikkei	37,705	+0.8	-4.8	Cotton	62.36	+0.5
NZD/GBP	0.4456	+0.3			KRW	1,447	+0.1		Shanghai	3,381	+1.2	11.7	Coffee	387.3	-5.5
NZD/JPY	84.92	-0.4			TWD	32.87	+0.2		ASX 200	8,095	-0.6	4.3	WM powder	3955	-0.6
NZD/CAD	0.8216	+0.1			PHP	57.30	-0.0		NZX 50	12,429	+0.1	5.3	Australian Futures		
NZ TWI	67.99	+0.3						VIX Index	25.19	+14.9	+73.7	3 year bond	96.15	-0.09	
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields					
Rates		Swap Yields			Benchmark 10 Yr Bonds										
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg			
USD	4.50	4.85	3.81	3.87	USD	4.29	0.02	15-Apr-27	3.67	0.05	BKBM 1-mth	3.87	0.01		
AUD	4.10	4.12	3.74	4.38	AUD	4.48	0.13	15-May-28	3.85	0.06	BKBM 3-mth	3.72	0.01		
NZD	3.75	3.72	3.49	4.23	NZD	4.69	0.09	20-Apr-29	3.99	0.06	1 year	3.40	0.00		
EUR	2.75	2.50	2.33	2.66	GER	2.83	0.04	15-May-30	4.14	0.07	2 year	3.49	0.05		
GBP	4.50	4.09	4.09	4.12	GBP	4.66	-0.02	15-May-31	4.30	0.07	3 year	3.59	0.06		
JPY	0.48	-0.03	0.84	1.33	JPY	1.54	0.09	15-May-32	4.42	0.08	5 year	3.79	0.08		
CAD	3.00	4.97	2.47	2.80	CAD	3.05	0.08	14-Apr-33	4.51	0.09	7 year	3.99	0.10		
						NZ Inflation-Indexed Bonds									
						Sep-30	2.34	0.05	15-May-36	4.78	0.09	10 year	4.23	0.11	
						Sep-35	2.82	0.05	15-May-37	4.87	0.09	15 year	4.47	0.12	
						Sep-40	3.10	0.05	15-May-41	5.07	0.08				
									15-May-51	5.24	0.08				
									15-May-54	5.25	0.08				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 07:05
Source: Bloomberg

NZD exchange rates

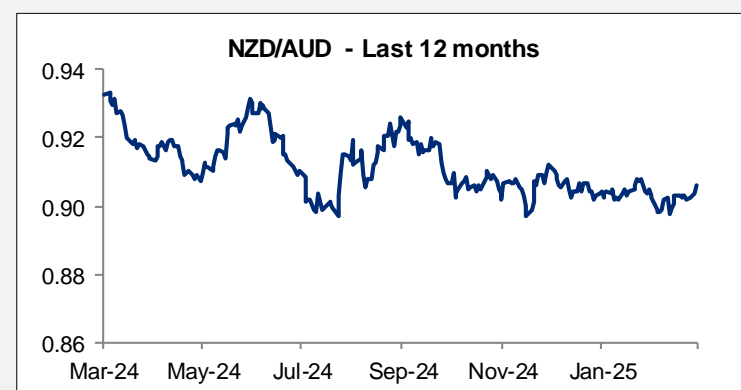
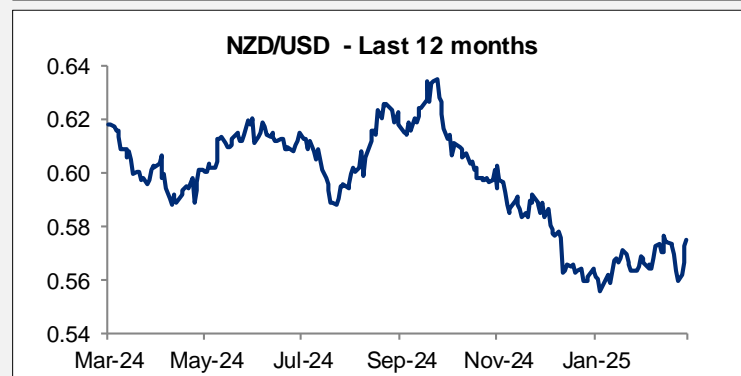
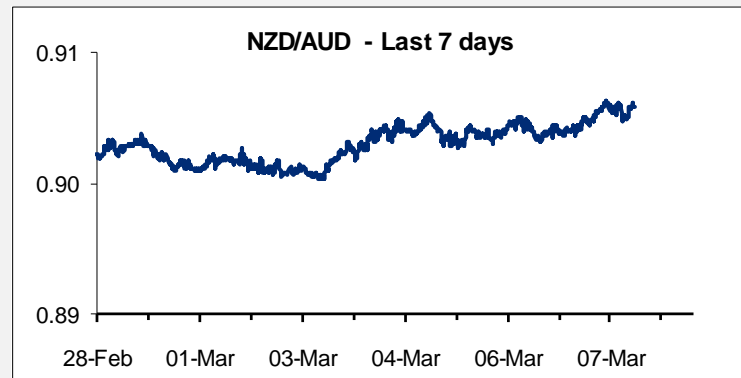
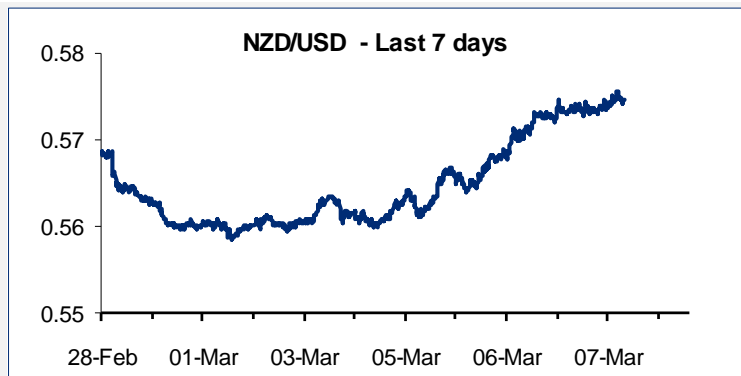
7/03/2025	7:05 am	Prev. NY close
USD	0.5745	0.5727
GBP	0.4456	0.4441
AUD	0.9057	0.9040
EUR	0.5319	0.5308
JPY	84.92	85.26
CAD	0.8216	0.8212
CHF	0.5076	0.5103
DKK	3.9680	3.9592
FJD	1.3198	1.3235
HKD	4.4646	4.4505
INR	50.05	49.81
NOK	6.2503	6.2567
PKR	160.74	160.25
PHP	32.94	32.84
PGK	2.3035	2.3028
SEK	5.8419	5.8425
SGD	0.7653	0.7624
CNY	4.1597	4.1446
THB	19.39	19.27
TOP	1.3662	1.3658
VUV	71.53	71.48
WST	1.5894	1.5982
XPF	64.49	64.45
ZAR	10.4233	10.4971

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.94	3.16
3 Months	10.74	11.12
6 Months	22.80	23.80
9 Months	32.88	34.88
1 Year	40.20	43.20

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.35	2.88
3 Months	10.51	11.53
6 Months	23.78	26.48
9 Months	35.48	40.64
1 Year	45.02	52.59



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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