

Research Markets Today

10 February 2025

Events Round-Up

GE: Industrial production (m/m%), Dec: -2.4 vs. -0.7 exp.
 CA: Unemployment rate (%), Jan: 6.6 vs. 6.8 exp.
 US: Change in nonfarm payrolls (k), Jan: 143 vs. 170 exp.
 US: Unemployment rate (%), Jan: 4.0 vs. 4.1 exp.
 US: Avg hourly earnings (m/m%), Jan: 0.5 vs. 0.3 exp.
 US: Avg hourly earnings (y/y%), Jan: 4.1 vs. 3.8 exp.
 US: U. of Mich. consumer sentiment, Feb: 67.8 vs. 71.8 exp.
 US: U. of Mich. 5-10y inflation exp, Feb: 3.3 vs. 3.2 exp.
 CH: CPI (y/y%), Jan: 0.5 vs. 0.4 exp.
 CH: PPI (y/y%), Jan: -2.3 vs. -2.2 exp.

Good morning

US equity and government bonds came under pressure after solid labour market data reduced expectations about the extent the Federal Reserve will be able to ease monetary policy this year. Weak consumer sentiment and concerns about inflation also weighed on investor risk appetite. The S&P fell to the session lows and ultimately closed 1% lower, after it was reported President Trump intended to issue reciprocal tariffs this week, in a further escalation of his trade war. The US dollar gained against G10 currencies.

US payrolls rose by 143k in January, which was below the consensus estimate, but there was a large 100k upward revision to the previous two months. A drop in the unemployment rate to 4.0% from 4.1% in December and robust gains in earnings underscored the strength of America's labour market. Average hourly earnings increased 0.5% in January, which took the annual rate to 4.1%, and exceeded expectations.

The Michigan consumer sentiment index dropped to 67.8, which was below the lowest estimate on the Bloomberg poll, and likely reflected concerns about tariffs. The expectations index fell to the lowest level since November 2023. Five-to-ten-year inflation expectations increased to 3.3% which is the highest since 2008.

The broader picture is one of labour market resilience and provides the Fed with few reasons to restart the easing cycle in the near term. This rise in longer term inflation expectations is another reason to proceed cautiously. The

market is pricing 37bp of Fed rate cuts by December, down from 44bp ahead of the data.

The US labour market report contributed to a rise in treasury yields, which remained near the session highs, after the elevated inflation expectations in the Michigan report. The curve flattened at the margin. 2-year yields closed 8bp higher at 4.29% while 10-year increased 6bp to 4.49%.

German industrial production was below expectations in December. The weakness in German industry is likely to weigh on overall economic activity in 2025. Threatened tariff increases would weigh further on German manufacturing with the recent decline in the Ifo business climate index reflecting the deteriorating sentiment.

10-year German bunds closed unchanged at 2.37%. The European Central Bank released its report on the neutral policy rate. According to its analysis, the nominal rate which supports both full employment and stable inflation is between 1.75% and 2.25%, aligning with previous comments by President Lagarde.

The US dollar was broadly stronger in offshore trade with the dollar index gaining ~0.5% compared with the NZ close on Friday. The Canadian dollar outperformed within G10 currencies after Canada reported stronger than expected labour market data. The yen was ended little changed against the dollar.

The NZD ended the week near the offshore session lows against the dollar, having retraced back towards 0.5650. The major NZD cross rates were little changed relative to the NZ close, except for NZD/JPY, which was modestly weaker.

There were large moves in front end swap rates in the local session on Friday exacerbated by illiquid market conditions. 2-year swap rates closed 9bp higher at 3.46% amid position unwinding by speculative accounts. 10-year rates closed unchanged at 4.06%. The 9bp curve flattening was abnormal – there have only been a few days in the past 10 years when curve flattening has exceeded 10bp - particularly in the absence of economic data.

The government curve closed higher in yield and flatter. The May-2035 nominal line ended 2bp higher at 4.57%. New Zealand Debt Management are likely to launch a tap

syndication of this line, perhaps as soon as today, after announcing the syndicate panel last week. Australian 10-year government bond futures are 4bp higher in yield terms since the local close on Friday, suggesting an upward bias, for NZ yields on the open.

data. Fed Chair Powell is giving his semi-annual testimony to US lawmakers though his remarks are unlikely to deviate too much from the press conference following the January FOMC.

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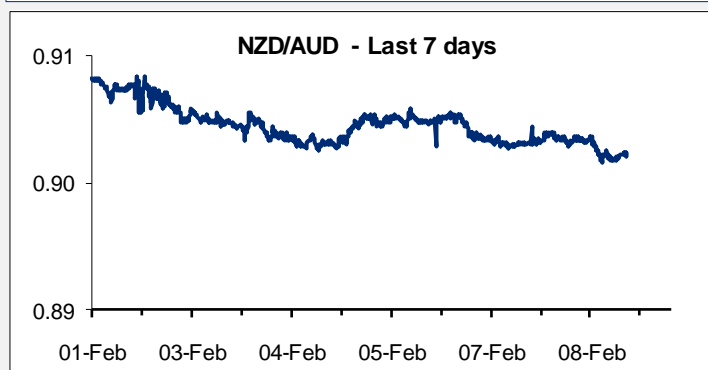
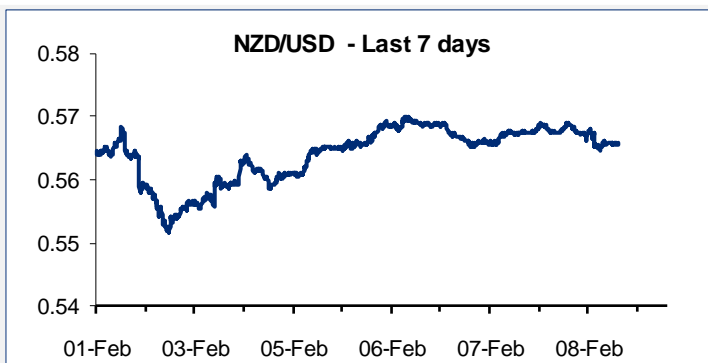
It is a quiet start to the week with no domestic or international economic data of note. Further ahead, it is mainly second-tier data on the domestic calendar with card spending, the manufacturing PMI and inflation partials for January. The key international release is US CPI

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	0.5659	-0.3	0.5641	0.5694	CHF	0.9099	+0.5	S&P 500	6,026	-0.9	20.6	Oil (Brent)	74.66	+0.5
AUD	0.6271	-0.1	0.6253	0.6300	SEK	10.950	+0.4	Dow	44,303	-1.0	14.5	Oil (WTI)	71.00	+0.6
EUR	1.0327	-0.5	1.0306	1.0409	NOK	11.244	+0.3	Nasdaq	19,523	-1.4	23.9	Gold	2867.3	+0.4
GBP	1.2402	-0.3	1.2377	1.2492	HKD	7.791	+0.1	Stoxx 50	5,325	-0.6	13.8	HRC steel	755.0	+2.0
JPY	151.44	+0.0	150.93	152.42	CNY	7.295	+0.1	FTSE	8,701	-0.3	14.0	CRB	307.5	+0.0
CAD	1.4293	-0.1			SGD	1.354	+0.3	DAX	21,787	-0.5	28.7	Wheat Chic.	595.5	-0.5
NZD/AUD	0.9023	-0.1			IDR	16,283	-0.4	CAC 40	7,973	-0.4	4.8	Sugar	19.36	-1.1
NZD/EUR	0.5479	+0.3			THB	33.87	+0.2	Nikkei	38,787	-0.7	5.1	Cotton	65.63	-0.6
NZD/GBP	0.4563	+0.1			KRW	1,455	+0.5	Shanghai	3,304	+1.0	15.3	Coffee	396.7	-0.1
NZD/JPY	85.69	-0.3			TWD	32.77	-0.2	ASX 200	8,511	-0.1	11.3	WM powder	4175	+0.0
NZD/CAD	0.8088	-0.4			PHP	58.01	-0.3	NZX 50	12,902	+0.4	8.8	Australian Futures		
NZ TWI	67.72	-0.1						VIX Index	16.54	+6.7	+28.9	3 year bond	96.23	-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	4.13	4.08	USD	4.49	0.06	15-Apr-27	3.62	0.09	BKBM 1-mth	4.10	-0.03	
AUD	4.35	4.21	3.77	4.39	AUD	4.36	0.04	15-May-28	3.78	0.09	BKBM 3-mth	3.88	0.00	
NZD	4.25	3.88	3.46	4.06	NZD	4.57	0.03	20-Apr-29	3.90	0.08	1 year	3.45	0.01	
EUR	2.75	2.54	2.18	2.30	GER	2.37	-0.01	15-May-30	4.01	0.07	2 year	3.46	0.09	
GBP	4.50	5.30	4.04	3.98	GBP	4.48	-0.01	15-May-31	4.15	0.05	3 year	3.51	0.08	
JPY	0.48	-0.03	0.82	1.21	JPY	1.30	0.03	15-May-32	4.28	0.04	5 year	3.67	0.05	
CAD	3.00	4.97	2.57	2.84	CAD	3.08	0.12	14-Apr-33	4.38	0.03	7 year	3.84	0.02	
								15-May-34	4.48	0.03	10 year	4.06	-0.00	
								15-May-35	4.57	0.03	15 year	4.31	-0.00	
								15-May-36	4.65	0.03				
								15-May-37	4.73	0.01				
								15-May-41	4.92	0.00				
								15-May-51	5.07	-0.00				
								15-May-54	5.07	-0.00				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates at NY close
 Source: Bloomberg

NZD exchange rates

8/02/2025	NY close	Prev. NY close
USD	0.5659	0.5675
GBP	0.4563	0.4564
AUD	0.9023	0.9032
EUR	0.5479	0.5466
JPY	85.69	85.93
CAD	0.8088	0.8120
CHF	0.5150	0.5136
DKK	4.0888	4.0781
FJD	1.3132	1.3179
HKD	4.4095	4.4189
INR	49.48	49.70
NOK	6.3643	6.3626
PKR	157.98	158.31
PHP	32.84	33.02
PGK	2.2604	2.2874
SEK	6.1976	6.1863
SGD	0.7664	0.7665
CNY	4.1288	4.1344
THB	19.04	19.17
TOP	1.3550	1.3734
VUV	68.94	70.17
WST	1.5854	1.5956
XPF	65.27	65.10
ZAR	10.4161	10.4632



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.10	2.29
3 Months	9.15	10.29
6 Months	23.10	24.10
9 Months	38.37	40.78
1 Year	52.23	55.23

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.92	2.46
3 Months	9.05	11.37
6 Months	22.85	25.53
9 Months	36.33	41.58
1 Year	47.48	54.92

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