

Research Markets Today

13 February 2025

Events Round-Up

US: CPI (m/m%), Jan: 0.5 vs. 0.3 exp.

US: CPI ex food and energy (m/m%), Jan: 0.4 vs. 0.3 exp.

US: CPI (y/y%), Jan: 3.0 vs. 2.9 exp.

US: CPI ex food and energy (y/y%), Jan: 3.3 vs. 3.1 exp.

Good Morning

Much stronger than expected US CPI inflation data were market-moving, driving higher US rates, a stronger USD and weaker US equities. Some of this reversed with the other market moving event being President Trump's call with President Putin, with talk of negotiations to end the Russia/Ukraine war.

Across the monthly and annual headline and core CPI inflation readings, the data were either one or two tenths above market expectations. The headline CPI for January rose 0.5% m/m, driving the annual increase to a seven-month high of 3.0%. The CPI ex food and energy index rose 0.4% m/m, seeing the annual increase tick higher to 3.3%. The monthly increase, coming in at 0.446%, was on the verge of rounding up to 0.5%. Despite the annual updating of seasonal adjustment factors being included in the release, some argue that January includes some residual seasonal adjustment issue that continues to inflate January figures somewhat – the seasonal adjustment process still not adequately capturing the recent trend to lift prices at the start of the year.

Higher inflation was broadly based and the services figure excluding housing and energy – a component monitored by the Fed to judge core domestic inflationary pressure – rose a chunky 0.8% m/m. Strong inflation follows the stronger than expected average hourly earnings data from Friday's employment report and ahead of any inflationary impact from forthcoming tariffs.

This inflation backdrop got the market's attention, seeing pricing for possible Fed easing this year pare back to just one rate cut, fully priced by December. The US 2-year Treasury yield is up 8bps for the day to 4.37%, towards the top of its three-month trading range, while the 10-year rate is up 9bps to 4.63%, up some 20bps since pre-Friday's payrolls report but shy of the January high of 4.81%. Inflation expectations as measured by 10-year break-even

rates, are up 2bps to 2.49%, on track for their highest close since 2023.

Fed Chair Powell spent a second day in front of lawmakers and when questioned on inflation he said "I would say we're close, but not there on inflation. And you did see today's inflation print which says the same thing...we made great progress toward 2% last year, but we're not quite there yet, so we want to keep policy restrictive for now." This was a similar message to yesterday and from the January FOMC meeting, so at this stage he hasn't put undue emphasis on the stronger wages or CPI print.

The other market moving event overnight was President Trump's post on Truth Social where he said that he had a lengthy and highly productive phone call with President Putin. Much of the post talked about ending the war between Russia/Ukraine and agreeing for their respective teams to work closely and start negotiations immediately.

Oil prices were already falling ahead of this post, and the message reinforced that move, with Brent crude now down 2% to below USD75.50 per barrel.

EUR has been a key beneficiary of Trump's Truth Social post, with the market seeing a clearer pathway for the end of the war. While the USD was broadly stronger post the CPI print, EUR strength has seen a reversal of the positive move in the DXY index, which is now down modestly for the day. EUR traded down below 1.0320 but has rebounded to 1.0420. Of note, there was also a paring of ECB rate cuts this year, with 77bps priced, down from 83bps.

The NZD traded down to just over 0.56 overnight before recovering to 0.5660. NZD/EUR has fallen to 0.5430 on EUR strength. AUD fell to 0.6235 and has recovered to 0.63. NZD/AUD has been drifting down all week and traded down to a fresh low of 0.8975. JPY has been the weakest of the majors, with yesterday's weakness attributed to fears of Japan being ensconced in a trade war with the US, which would put a halt to the BoJ's tightening cycle. Higher global rates overnight have added to further yen weakness. NZD/JPY is up 1.3% for the day to 87.4.

In equity markets, the S&P500 fell just over 1% on the open, reacting to the stronger CPI data, before a recovery ensued, and the index is down just 0.2% in early afternoon trading.

Yesterday in the domestic rates market, yields were higher, with the market trying to absorb the risk from the large \$5.5b 10-year NZGB syndication deal the previous day. Long-end swaps led the move higher in rates, with 10-year swap ending the day up a chunky 8bps to 4.16%, with the 2-year rate up 4bps to 3.48%. The NZGB 10-year rate rose by “only” 5bps to 4.65%. Higher offshore rates overnight will impart an upside bias to yields today, with the 10-year Australian bond future up 7bps in yield terms since the NZ close.

On the calendar today, NZ electronic card transactions data and the RBNZ’s survey of expectations are released. UK monthly GDP and US PPI data are the key releases tonight.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Card spending total (m/m%)	Jan		1.5	10:45
NZ	RBNZ 2yr inflation expectations	Q1		2.12	15:00
UK	GDP (m/m%)	Dec	0.1	0.1	20:00
UK	Industrial production (m/m%)	Dec	0.2	-0.4	20:00
UK	GDP (q/q%)	Q4	-0.1	0.0	20:00
EC	Industrial production (m/m%)	Dec	-0.6	0.2	23:00
US	PPI ex food and energy (m/m%)	Jan	0.3	0.0	02:30
US	PPI ex food and energy (y/y%)	Jan	3.3	3.5	02:30
US	Initial jobless claims (k)	8-Feb	216	219	02:30

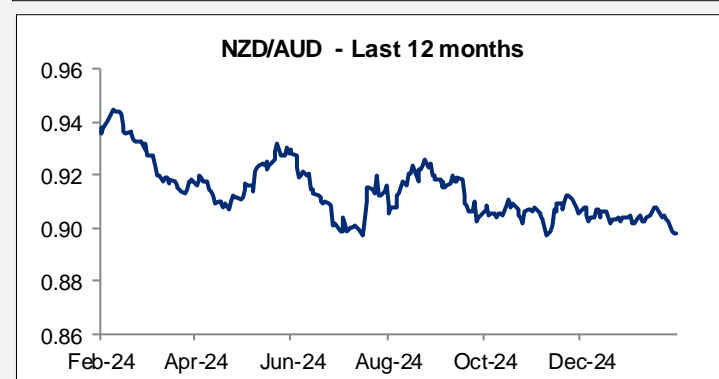
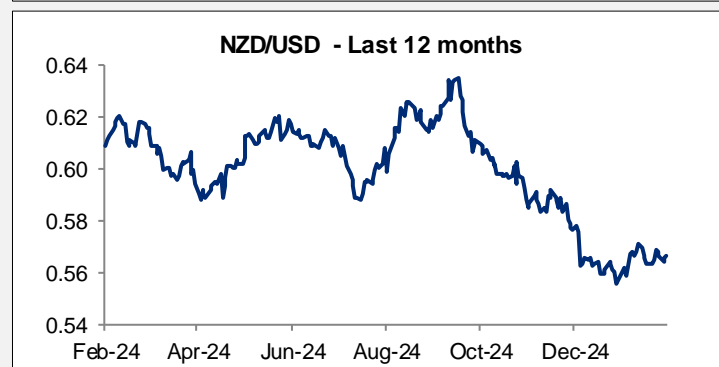
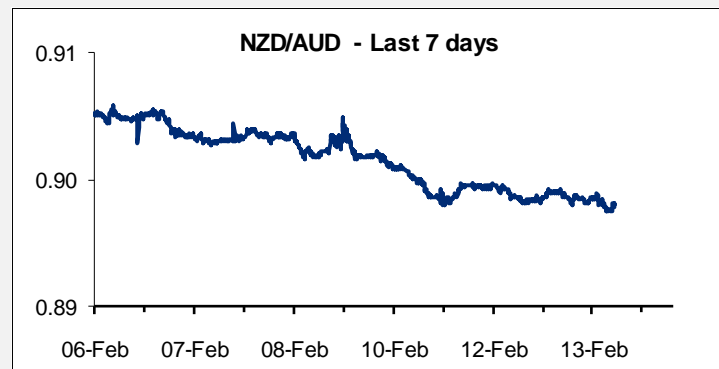
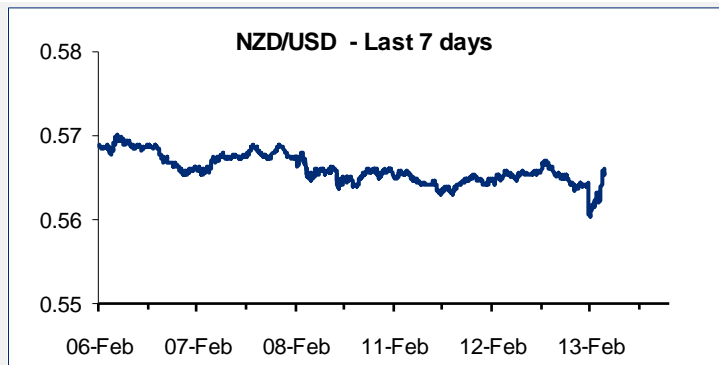
Source: Bloomberg, BNZ

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	0.5660	+0.1	0.5601	0.5660	CHF	0.9117	-0.2	S&P 500	6,052	-0.3	20.5	Oil (Brent)	75.39	-2.1	
AUD	0.6304	+0.1	0.6235	0.6304	SEK	10.840	-0.2	Dow	44,443	-0.3	14.6	Oil (WTI)	71.66	-2.3	
EUR	1.0422	+0.6	1.0317	1.0424	NOK	11.228	+0.3	Nasdaq	19,665	+0.1	23.4	Gold	2909.4	-0.1	
GBP	1.2479	+0.3	1.2378	1.2479	HKD	7.790	-0.0	Stoxx 50	5,406	+0.3	13.9	HRC steel	768.0	+1.1	
JPY	154.38	+1.2	153.35	154.80	CNY	7.307	+0.0	FTSE	8,807	+0.3	16.3	CRB	313.4	+0.5	
CAD	1.4262	-0.2			SGD	1.351	-0.2	DAX	22,148	+0.5	30.0	Wheat Chic.	588.0	-0.3	
NZD/AUD	0.8978	-0.0			IDR	16,376	-0.0	CAC 40	8,042	+0.2	4.6	Sugar	19.80	-0.3	
NZD/EUR	0.5431	-0.5			THB	33.96	-0.3	Nikkei	38,964	+0.4	2.6	Cotton	67.46	+0.1	
NZD/GBP	0.4536	-0.2			KRW	1,454	+0.1	Shanghai	3,346	+0.9	16.8	Coffee	418.9	+3.6	
NZD/JPY	87.38	+1.3			TWD	32.85	+0.0	ASX 200	8,535	+0.6	12.3	WM powder	4135	-1.8	
NZD/CAD	0.8072	-0.1			PHP	58.19	+0.0	NZX 50	12,914	-0.0	10.0	Australian Futures			
NZ TWI	67.76	+0.1						VIX Index	15.91	-0.7	+14.2	3 year bond	96.14	-0.06	
Interest Rates											10 year bond 95.44 -0.09				
	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	4.22	4.23	USD	4.62	0.09	15-Apr-27	3.65	0.02	BKBM 1-mth	4.01	-0.02		
AUD	4.35	4.20	3.89	4.53	AUD	4.46	0.07	15-May-28	3.82	0.02	BKBM 3-mth	3.84	-0.02		
NZD	4.25	3.84	3.48	4.16	NZD	4.65	0.05	20-Apr-29	3.95	0.03	1 year	3.49	0.01		
EUR	2.75	2.54	2.27	2.41	GER	2.48	0.05	15-May-30	4.09	0.03	2 year	3.48	0.04		
GBP	4.50	5.30	4.03	4.04	GBP	4.54	0.04	15-May-31	4.23	0.04	3 year	3.55	0.05		
JPY	0.49	-0.03	0.82	1.28	JPY	1.34	0.03	15-May-32	4.37	0.04	5 year	3.73	0.06		
CAD	3.00	4.97	2.62	2.91	CAD	3.16	0.07	14-Apr-33	4.46	0.04	7 year	3.92	0.07		
							NZ Inflation-Indexed Bonds		15-May-34	4.55	0.04	10 year	4.16	0.08	
							Sep-30	2.32	0.02	15-May-35	4.65	0.05	15 year	4.41	0.08
							Sep-35	2.83	0.04	15-May-36	4.73	0.05			
							Sep-40	3.13	0.06	15-May-37	4.81	0.05			
										15-May-41	5.00	0.05			
										15-May-51	5.15	0.05			
										15-May-54	5.15	0.05			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:54
Source: Bloomberg

NZD exchange rates

13/02/2025 6:55 am		Prev. NY close
USD	0.5660	0.5654
GBP	0.4536	0.4543
AUD	0.8978	0.8982
EUR	0.5431	0.5457
JPY	87.38	86.22
CAD	0.8072	0.8078
CHF	0.5160	0.5164
DKK	4.0510	4.0700
FJD	1.3157	1.3204
HKD	4.4091	4.4055
INR	49.18	49.09
NOK	6.3551	6.3300
PKR	158.06	157.85
PHP	32.94	32.91
PGK	2.2667	2.2643
SEK	6.1356	6.1401
SGD	0.7646	0.7650
CNY	4.1357	4.1313
THB	19.28	19.16
TOP	1.3476	1.3697
VUV	70.17	69.91
WST	1.5896	1.5849
XPF	64.80	64.98
ZAR	10.4619	10.4460



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.08	2.32
3 Months	9.31	9.91
6 Months	23.55	24.95
9 Months	38.76	40.87
1 Year	54.58	57.58

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.86	2.41
3 Months	9.49	10.86
6 Months	23.67	27.14
9 Months	37.77	42.72
1 Year	52.22	60.66

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