

Research Markets Today

13 March 2025

Events Round-Up

NZ: Card spending total (m/m%), Feb: 0.0 vs. 0.0 prev.
 US: CPI (m/m%), Feb: 0.2 vs. 0.3 exp.
 US: CPI ex food, energy (m/m%), Feb: 0.2 vs. 0.3 exp.
 US: CPI (y/y%), Feb: 2.8 vs. 2.9 exp.
 US: CPI ex food, energy (y/y%), Feb: 3.1 vs. 3.2 exp.
 CA: Bank of Canada policy rate (%), Mar: 2.75 vs. 2.75 exp.

Good morning

Ongoing global trade tensions remain a focus for markets. The White House confirmed 25% tariffs on steel and aluminium would come into effect yesterday, without exemptions for any US trading partners. This prompted a response from the European Union which launched countermeasures on €26 billion of US imports. US equity markets are higher in afternoon trading though price action remains volatile. There was a muted response to softer than expected US CPI data.

US inflation was weaker than consensus estimates in February. Headline CPI increased 0.2% m/m taking the annual rate to 2.8%. Core inflation was also below expectations, increasing 0.2% on the month, with the annual rate dipping to 3.1%. The softer core reading reflected a sharp fall in airline fares.

Consumer prices have not been materially impacted by the initial 10% tariff on China that took effect on February 4. However, business surveys point to upward pressures for goods prices and there is considerable uncertainty about what the actual tariffs will be and the eventual pass-through to consumer prices.

US treasury yields dropped immediately after the CPI release but have rebounded and settled 3-4bp higher across the curve. 10-year yields increased 3bp to 4.31%, which corresponds with the top end of the trading range from the past few weeks. In Europe, 10-year bunds traded back to the recent high at 2.94%, but retraced to be little changed on the session, and closed at 2.88%.

Japan's 30-year government bond yield reached 2.63% yesterday, which is the highest level since 2006, and is set against the backdrop of the Bank of Japan's gradual tightening cycle. Governor Ueda indicated he was comfortable with the rise in yields when speaking in

parliament. He said there wasn't a big gap between the market and central bank's view on the economy and inflation.

The Bank of Canada cut rates by 25bp to 2.75%. This was expected by economists and was fully discounted by market pricing. The Bank noted the trade tensions with the US could have a significant impact on the economy. Governor Macklem said it will proceed cautiously on further easing, citing the need to assess the interplay between upward pressure on inflation, and weakness in demand. The market is pricing 46bp of additional easing by the end of the year.

In currency markets, the US dollar retraced from initial gains resulting in small absolute changes for the euro and yen since the NZ close. Outside of the majors, most G10 FX pairings have strengthened against the US dollar. There was limited reaction in the Canadian dollar to the expected reduction in the policy rate. NZD/USD traded up towards 0.5730. The NZD gained against the euro and yen but is stable on the other major crosses.

NZ fixed income yields moved higher in the local session yesterday reflecting moves in offshore markets with limited domestic catalysts. Total electronic card spending was flat in February for the second consecutive month, providing a reminder about the subdued pace of the economic recovery. The yield curve continued the recent steepening trend. 2-year swaps rates increased 4bp to 4.32% while 10-year rates closed 7bp taking to the 2y/10y curve to a fresh cycle high.

The government curve matched the move in swaps. 10-year NZGB yields increased 7bp to 4.68% and are back at the top end of the trading range from the past month. Australian 10y bond futures are little changed since the local close yesterday, which suggests limited directional bias, for NZ yields on the open.

The bond market looks ahead to the weekly tender today. As usual, there are NZ\$500m of nominal bonds being auctioned across the May-2030 (\$250m), May-34 (\$200m) and May-2054 (\$50m) lines. The 2054s have only been tendered twice previously since the line was syndicated a year ago. There is also \$30 million of Sep-40 inflation indexed bonds being tendered for the second consecutive week.

It is mainly second tier economic data in the day ahead. In NZ, there are net migration figures for the month of January. US PPI data for February will allow analysts to finetune their forecasts for the core PCE deflator, which is the Fed's preferred inflation gauge, and is released at the end of the month.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Net Migration SA	Jan	3810	10:45	
EC	Industrial Production (m/m%)	Jan	0.6	-1.1	23:00
US	PPI Ex Food and Energy (m/m%)	Feb	0.3	0.3	01:30
US	PPI Ex Food and Energy (y/y%)	Feb	3.5	3.6	01:30
US	Initial Jobless Claims	8 Mar	225	221	01:30

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	0.5731	+0.3	0.5698	0.5738	CHF	0.8825	-0.0	S&P 500	5,625	+0.9	8.7	Oil (Brent)	70.95	+2.0	
AUD	0.6317	+0.3	0.6277	0.6320	SEK	10.062	+0.5	Dow	41,524	+0.2	6.5	Oil (WTI)	67.71	+2.2	
EUR	1.0909	-0.1	1.0876	1.0930	NOK	10.617	-0.4	Nasdaq	17,694	+1.5	8.8	Gold	2947.4	+0.9	
GBP	1.2970	+0.2	1.2914	1.2988	HKD	7.769	-0.0	Stoxx 50	5,359	+0.9	7.5	HRC steel	944.0	+1.5	
JPY	148.31	+0.4	147.97	149.19	CNY	7.238	+0.1	FTSE	8,541	+0.5	10.2	CRB	303.0	+0.2	
CAD	1.4366	-0.5			SGD	1.332	+0.1	DAX	22,676	+1.6	26.2	Wheat Chic.	556.3	-0.1	
NZD/AUD	0.9072	-0.0			IDR	16,452	+0.3	CAC 40	7,989	+0.6	-1.2	Sugar	18.86	+1.0	
NZD/EUR	0.5253	+0.4			THB	33.75	-0.0	Nikkei	36,819	+0.1	-4.9	Cotton	66.75	+1.1	
NZD/GBP	0.4419	+0.1			KRW	1,452	-0.1	Shanghai	3,372	-0.2	10.8	Coffee	386.8	-1.9	
NZD/JPY	85.00	+0.6			TWD	32.95	+0.2	ASX 200	7,786	-1.3	0.7	WM powder	3925	+0.6	
NZD/CAD	0.8233	-0.2			PHP	57.36	+0.2	NZX 50	12,250	-1.3	3.7	Australian Futures			
NZ TWI	67.83	+0.3						VIX Index	24.46	-9.1	+76.7	3 year bond	96.22	-0.03	
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	3.82	3.88	USD	4.31	0.03	15-Apr-27	3.61	0.04	BKBM 1-mth	3.84	-0.02		
AUD	4.10	4.11	3.71	4.39	AUD	4.44	0.06	15-May-28	3.80	0.05	BKBM 3-mth	3.69	-0.00		
NZD	3.75	3.69	3.42	4.18	NZD	4.68	0.07	20-Apr-29	3.93	0.06	1 year	3.38	0.03		
EUR	2.50	2.55	2.32	2.73	GER	2.88	-0.02	15-May-30	4.09	0.06	2 year	3.42	0.04		
GBP	4.50		4.08	4.19	GBP	4.72	0.05	15-May-31	4.26	0.06	3 year	3.52	0.04		
JPY	0.48	-0.03	0.83	1.32	JPY	1.52	0.01	15-May-32	4.39	0.06	5 year	3.72	0.05		
CAD	2.75	4.97	2.42	2.80	CAD	3.07	0.06	14-Apr-33	4.50	0.07	7 year	3.93	0.06		
								15-May-34	4.59	0.07	10 year	4.18	0.07		
								15-May-35	4.68	0.07	15 year	4.43	0.08		
								15-May-36	4.77	0.07					
								15-May-37	4.86	0.07					
								15-May-41	5.07	0.07					
								15-May-51	5.23	0.07					
								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 06:47
 Source: Bloomberg

NZD exchange rates

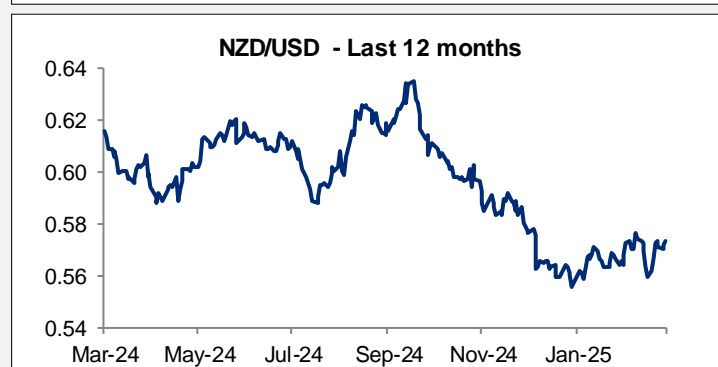
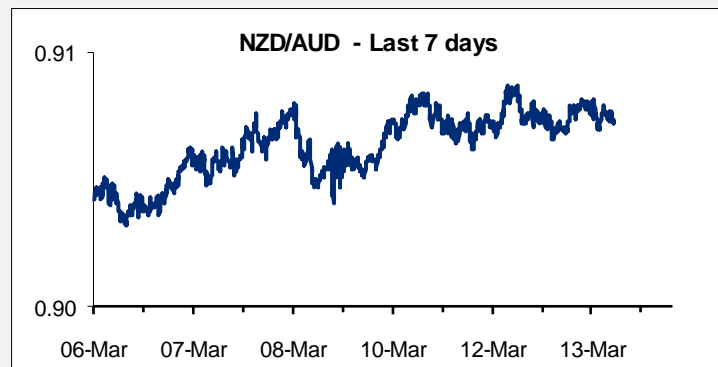
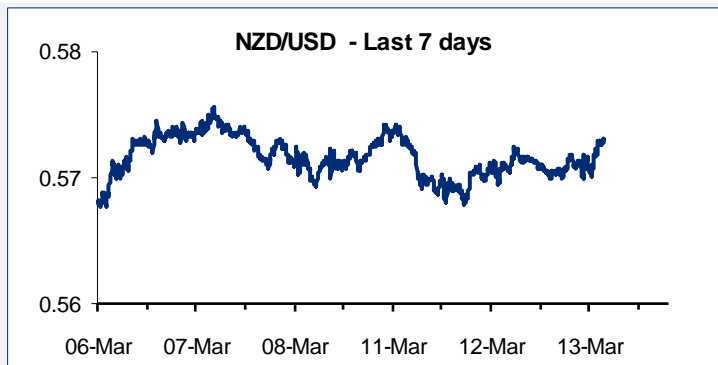
13/03/2025 6:47 am		Prev. NY close
USD	0.5731	0.5716
GBP	0.4419	0.4414
AUD	0.9072	0.9076
EUR	0.5253	0.5235
JPY	85.00	84.47
CAD	0.8233	0.8251
CHF	0.5058	0.5046
DKK	3.9187	3.9047
FJD	1.3263	1.3210
HKD	4.4525	4.4416
INR	49.98	49.85
NOK	6.0846	6.0897
PKR	160.43	160.02
PHP	32.88	32.72
PGK	2.3044	2.2984
SEK	5.7666	5.7215
SGD	0.7633	0.7603
CNY	4.1480	4.1328
THB	19.40	19.32
TOP	1.3597	1.3551
VUV	70.84	70.69
WST	1.5911	1.5869
XPF	64.15	63.96
ZAR	10.4917	10.4107

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	3.26	3.42
3 Months	11.56	11.94
6 Months	24.10	25.10
9 Months	35.28	37.28
1 Year	44.10	47.10

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.96	3.38
3 Months	11.65	12.68
6 Months	25.33	28.06
9 Months	37.13	42.38
1 Year	46.78	55.27



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