

# Research Markets Today

14 February 2025

## Events Round-Up

NZ: Card spending total (m/m%), Jan: 0.0 vs. 1.6 prev.  
 NZ: RBNZ 2yr inflation expectations, Q1: 2.06 vs. 2.12 prev.  
 UK: GDP (q/q%), Dec: 0.1 vs. -0.1 exp.  
 UK: Industrial production (m/m%), Dec: 0.5 vs. 0.2 exp.  
 EC: Industrial production (m/m%), Dec: -1.1 vs. -0.6 exp.  
 US: PPI ex food and energy (m/m%), Jan: 0.3 vs. 0.3 exp.  
 US: PPI ex food and energy (y/y%), Jan: 3.6 vs. 3.3 exp.  
 US: Initial jobless claims (k), wk to 8-Feb: 213 vs. 216 exp.

## Good Morning

Markets are trading in the afterglow of President Trump's chat with the Russian and Ukrainian Presidents to begin negotiations to end the war between Russia and Ukraine. Other market moving events have been the US PPI report, which was stronger than expected but with weak components that feed into the more important PCE deflator, and Trump's forthcoming announcement on reciprocal tariffs. Equity markets are stronger, global rates are lower, and most currencies are stronger against the USD, although the NZD and AUD have lagged the move.

Overnight, President Trump indicated a forthcoming tariff announcement, posting on Truth Social "THREE GREAT WEEKS, PERHAPS THE BEST EVER, BUT TODAY IS THE BIG ONE: RECIPROCAL TARIFFS!!! MAKE AMERICA GREAT AGAIN!!!" He will be speaking on this topic just after we go to print at 7am NZT. CNBC reported that the new tariffs would not take effect immediately, which the market is taking some comfort from, as it allows plenty of time for negotiation for countries to take measures to avoid the tariffs.

The Euro Stoxx 600 index closed up 1.1% to a fresh record high, with positive market sentiment from hope that the war between Russia and Ukraine can end soon, and no seemingly imminent reciprocal tariffs. European gas futures are down around 12% over the past two trading sessions, unwinding some of the rapid increase over recent months on tight supply/demand conditions. An end to the war would result in much lower gas prices from here. The S&P500 index is up ½% in early afternoon trading.

US PPI inflation data were stronger than expected, largely driven by revisions to prior data. The PPI ex food and

energy index rose 0.3% m/m, in line with consensus, but revisions took the annual increase up to 3.6%, an upside surprise of three-tenths. However, the PPI components that feed into the Fed's preferred PCE deflator measure of inflation were on the soft side. Pantheon Macroeconomics predicts the core PCE deflator rose 0.3% m/m, which would take the annual increase down from 2.8% to 2.6%. This is a lower figure than feared after yesterday's strong CPI figures. Initial jobless claims continue to largely track sideways, consistent with steady state labour market conditions.

The PPI report drove much lower US Treasury yields, unwinding a lot of the move in the aftermath of yesterday's CPI report. The 2-year rate is down 4bps to 4.31% while the 10-year rate is down 8bps to 4.54%. European 10-year rates are down in the order of 5-8bps.

UK GDP data were stronger than expected, with a 0.4% m/m lift in December resulting in a quarterly increase of 0.1%, better than the 0.1% contraction expected. Still, with flat growth in Q3, the second half performance for the economy was poor, driven by weaker domestic private demand – in Q4, household spending was flat while business investment fell 3.2%.

There have been some gyrations in the currency market, driven by the market moving events noted. The net result is a weaker USD, with the DXY index down ½% on the day. Lower global rates have supported the yen, seeing it outperform, while the stronger GDP data supported GBP. Net movements in NZD, AUD and EUR have been small.

The NZD has been confined to a 0.5625-0.5660 range (rounded) and currently sits at 0.5655, little changed over the day. AUD trades just below 0.63 and NZD/AUD is little changed at 0.8985. The NZD is modestly weaker on the other key crosses, with NZD/GBP making a move down towards 0.45 and NZD/EUR down at 0.5420.

In the domestic rates market, yields were higher in early trading yesterday in response to the previous night's offshore bond sell-off, before grinding lower through the rest of the day, with some cross-market outperformance. NZGB yields were little changed at the very long end of the yield curve, and up to 3bps higher around the belly of the curve. The 10-year rate rose just 1bp to 4.66%. Swap rates rose 2-4bps.

Domestic economic data were market friendly. Electronic card transactions were flat in January, with the retail component down 1.6% m/m, both following unusual strength in December. The overall trend still looks consistent with weak spending. The RBNZ's survey of expectations showed lower inflation expectations for 2, 5 and 10-years ahead, with the 2-year ahead figure falling 6bps to 2.06%, all three measures close to the Bank's 2% target.

In the day ahead, the NZ manufacturing PMI and monthly price indicators are released. US retail sales is the key global release, where the market expects lower auto sales to drag down the headline, while looking for modest 0.3% m/m growth in core sales.

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### Coming Up

		Period	Cons.	Prev.	NZT
NZ	Manufacturing PMI	Jan	45.9	10:30	
NZ	Food prices (m/m%)	Jan	0.1	10:45	
US	Retail sales (m/m%)	Jan	-0.2	0.4	02:30
US	Retail sales ex auto, gas	Jan	0.3	0.3	02:30
US	Retail sales control group	Jan	0.3	0.7	02:30
US	Industrial production (m/m%)	Jan	0.3	0.9	03:15

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	0.5654	+0.2	0.5623	0.5660	CHF	0.9043	-1.0	S&P 500	6,084	+0.5	22.8	Oil (Brent)	74.98	-0.3
AUD	0.6293	+0.2	0.6255	0.6303	SEK	10.782	-1.0	Dow	44,485	+0.3	16.2	Oil (WTI)	71.27	-0.1
EUR	1.0432	+0.5	1.0376	1.0445	NOK	11.186	-0.7	Nasdaq	19,813	+0.8	26.6	Gold	2924.6	+0.5
GBP	1.2535	+0.7	1.2454	1.2543	HKD	7.789	-0.0	Stoxx 50	5,501	+1.8	17.3	HRC steel	767.0	+0.3
JPY	153.15	-0.8	152.93	154.34	CNY	7.288	-0.3	FTSE	8,765	-0.5	16.7	CRB	311.6	-0.6
CAD	1.4236	-0.5			SGD	1.347	-0.5	DAX	22,612	+2.1	34.0	Wheat Chic.	591.3	+0.6
NZD/AUD	0.8985	+0.0			IDR	16,361	-0.1	CAC 40	8,164	+1.5	7.1	Sugar	20.14	+1.9
NZD/EUR	0.5420	-0.2			THB	33.71	-0.9	Nikkei	39,461	+1.3	4.7	Cotton	66.90	-0.8
NZD/GBP	0.4511	-0.5			KRW	1,448	-0.4	Shanghai	3,332	-0.4	16.3	Coffee	423.8	+0.9
NZD/JPY	86.59	-0.6			TWD	32.81	-0.1	ASX 200	8,540	+0.1	13.1	WM powder	4130	-0.1
NZD/CAD	0.8049	-0.3			PHP	58.07	-0.2	NZX 50	12,906	-0.1	10.7	<b>Australian Futures</b>		
NZ TWI	67.58	-0.1						VIX Index	15.55	-2.1	-1.9	3 year bond	96.14	0.00
<b>Interest Rates</b>										10 year bond			95.56	0.13
<b>Rates</b>		<b>Swap Yields</b>			<b>Benchmark 10 Yr Bonds</b>		<b>NZ Government Bonds</b>			<b>NZ BKBM and Swap Yields</b>				
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg		
USD	4.50	4.85	4.17	4.16	USD	4.54	-0.08	15-Apr-27	3.67	0.02	BKBM 1-mth	4.00	-0.01	
AUD	4.35	4.20	3.81	4.42	AUD	4.47	0.01	15-May-28	3.83	0.01	BKBM 3-mth	3.84	-0.00	
NZD	4.25	3.84	3.50	4.18	NZD	4.66	0.01	20-Apr-29	3.97	0.01	1 year	3.51	0.01	
EUR	2.75	2.55	2.24	2.38	GER	2.42	-0.06	15-May-30	4.11	0.02	2 year	3.50	0.02	
GBP	4.50	5.30	4.05	4.02	GBP	4.49	-0.05	15-May-31	4.25	0.03	3 year	3.58	0.03	
JPY	0.48	-0.03	0.79	1.25	JPY	1.35	0.01	15-May-32	4.39	0.02	5 year	3.77	0.04	
CAD	3.00	4.97	2.61	2.87	CAD	3.10	-0.08	14-Apr-33	4.48	0.01	7 year	3.96	0.03	
					<b>NZ Inflation-Indexed Bonds</b>			15-May-34	4.56	0.01	10 year	4.18	0.03	
					Sep-30	2.36	0.04	15-May-35	4.66	0.01	15 year	4.43	0.03	
					Sep-35	2.86	0.03	15-May-36	4.74	0.01				
					Sep-40	3.14	0.02	15-May-37	4.82	0.01				
								15-May-41	5.00	0.00				
								15-May-51	5.16	0.00				
								15-May-54	5.15	0.00				

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 06:43  
 Source: Bloomberg

**NZD exchange rates**

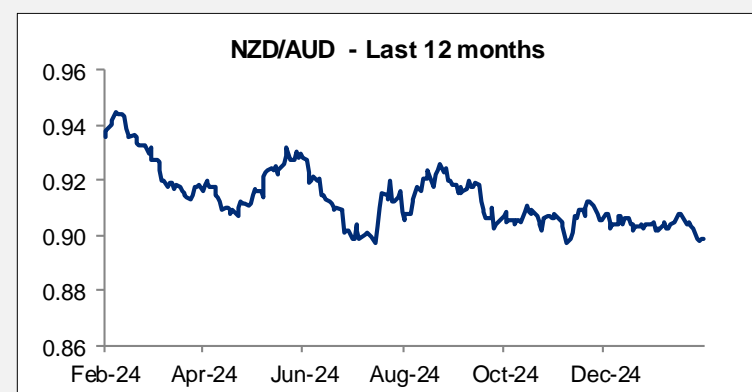
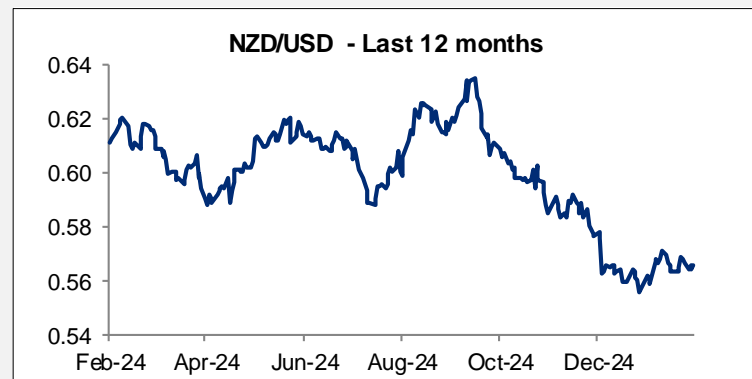
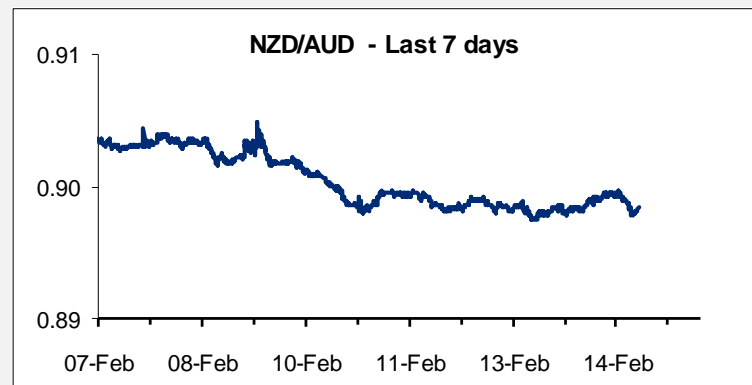
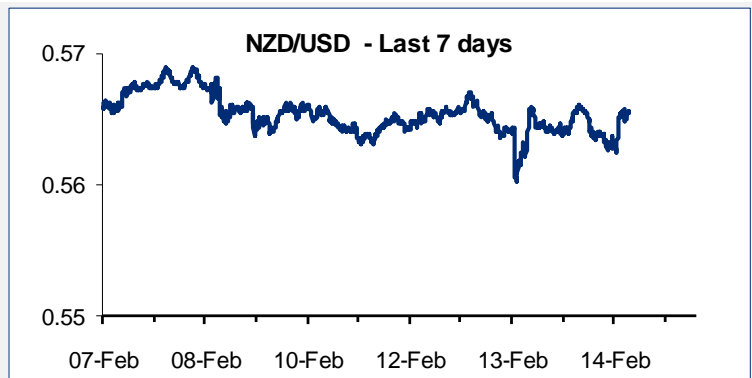
14/02/2025	6:43 am	Prev. NY close
USD	0.5654	0.5642
GBP	0.4511	0.4533
AUD	0.8985	0.8984
EUR	0.5420	0.5434
JPY	86.59	87.12
CAD	0.8049	0.8071
CHF	0.5113	0.5155
DKK	4.0424	4.0532
FJD	1.3124	1.3100
HKD	4.4037	4.3951
INR	49.13	49.02
NOK	6.3245	6.3575
PKR	157.89	157.55
PHP	32.82	32.83
PGK	2.2652	2.2595
SEK	6.0959	6.1424
SGD	0.7614	0.7638
CNY	4.1205	4.1226
THB	19.12	19.22
TOP	1.3398	1.3530
VUV	70.23	70.04
WST	1.5800	1.5846
XPF	64.94	64.84
ZAR	10.4926	10.4529

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	2.44	2.61
3 Months	9.86	10.44
6 Months	23.21	24.87
9 Months	37.67	40.07
1 Year	51.31	54.60

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	2.28	2.72
3 Months	10.01	11.46
6 Months	22.04	26.17
9 Months	34.44	40.14
1 Year	45.63	54.53



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