

Research Markets Today

14 January 2025

Events Round-Up

NZ: Building Permits (m/m%), Nov: 5.3 vs. -5.2 prev.

NZ: Filled Jobs SA (m/m%), Nov: 0.3 vs. -0.2 prev.

CH: Exports in USD terms (y/y%), Dec: 10.7 vs. 7.5 exp.

CH: Imports in USD terms (y/y%), Dec: 1.0 vs. -1.0 exp.

Good morning

This is the first *Markets Today* for 2025. We wish all our readers a Happy New Year.

Global equities began the week with a soft tone as markets extended the moves seen in the aftermath of the strong US labour market data on Friday. S&P futures traded lower in the Asian session, and the index dropped close to 1% on the open, before retracing some of its losses. Treasury yields continued to move higher, and the US dollar remained well supported. Oil prices reached the highest level in five months following fresh US sanctions against Russia's energy industry. Brent crude traded up towards US\$81.50 per barrel.

The market has significantly recalibrated expectations for Fed easing following the labour market report. There is now only one 25bp cut priced by the end of the year. The reduction in expected Fed easing and an increase in the term premium have contributed to the rise in US treasury yields. 10-year yields continued to move higher overnight reaching 4.79%, the highest level since October 2023.

European bond yields also moved higher. 10-year gilts increased 4bps to 4.89% and are back towards last week's 16-year high. Gilts have been under pressure amid the global trend towards higher bond yields and concerns about the UK's economy.

The US dollar was generally well supported with the dollar index making fresh cycle highs. A speech by the European Central Bank's chief economist suggested weak growth in the Eurozone, could see inflation undershoot the Bank's 2% target, if it did not keep cutting interest rates. There is close to 90bp of ECB rate cuts priced for this year, and the divergent monetary policy stance relative to the Fed, is weighing on EUR/USD which dipped below 1.02 in offshore trade.

The firm US dollar saw NZD confined to a narrow trading range overnight and remain near two-year lows. NZD/USD oscillated around 0.5550 and consolidated the adjustment lower from last week. The NZD was marginally softer against the AUD and GBP.

The Peoples Bank of China provided verbal support for the yuan saying that it expects the currency to 'stay at a reasonable, balanced level'. It also adjusted capital control measures to allow companies and financial institutions to borrow more from offshore. The PBOC set its daily yuan fix significantly stronger than expected by market participants yesterday which is aimed at slowing the pace of the yuan's decline against the US dollar.

The NZ yield curve adjusted higher in the local session yesterday, reflecting moves in global markets. 2-year swap rates increased 8bp to 3.45% while 10-year rates closed 7bp higher at 4.14%. Front end rates have largely tracked sideways since the start of the year, with the RBNZ easing cycle providing an anchor, while the long end has underperformed amid the global selloff. The 2y/10y curve has made fresh cycle highs at 71bp.

10-year government bonds matched the move in swaps and closed at 4.71%, up 7bp on the day. NZGBs outperformed on a cross-market basis against Australia with the 10-year spread dipping back into negative territory. Australian 10-year government bond futures are unchanged since the local close yesterday suggesting limited directional bias for NZ yields on the open.

The domestic focus in the day ahead will centre on the Quarterly Survey of Business Opinion which will provide guidance on economic activity, the labour market and price pressures.

Consumer confidence data is released in Australia and there are several central bank officials speaking. Investors will be looking to a speech by the Bank of Japan deputy Governor for any hints of a policy adjustment at its 24 January meeting.

US PPI data is released later this evening ahead of CPI data the following day.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ	NZIER Business Opinion Survey			10:00
AU	Westpac Consumer Conf Index	Jan	92.8	12:30
JN	BOJ Deputy Governor Himino Speech in Kanagawa			14:30
EC	ECB's Holzmann Speaks			21:00
UK	BOE's Breeden Speaks			21:30
US	NFIB Small Business Optimism	Dec	101.5 101.7	00:00
US	PPI Ex Food and Energy (m/m%)	Dec	0.3 0.2	02:30
US	PPI Ex Food and Energy (y/y%)	Dec	3.8 3.4	02:30
US	Fed's Schmid Gives Remarks in Kansas City			04:00

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	Net Day			
NZD	0.5557	+0.0	0.5542	0.5564	CHF	0.9186	+0.2	S&P 500	5,802	-0.4	21.3	Oil (Brent)	80.93	+1.5
AUD	0.6157	+0.2	0.6137	0.6160	SEK	11.281	+0.5	Dow	42,080	+0.4	11.9	Oil (WTI)	78.69	+2.8
EUR	1.0216	-0.3	1.0178	1.0231	NOK	11.468	-0.1	Nasdaq	18,979	-0.9	26.8	Gold	2681.3	-1.2
GBP	1.2167	-0.3	1.2100	1.2171	HKD	7.786	-0.0	Stoxx 50	4,954	-0.5	10.6	HRC steel	705.0	+0.1
JPY	157.40	-0.2	156.92	157.79	CNY	7.332	-0.0	FTSE	8,224	-0.3	7.9	CRB	306.0	+1.8
CAD	1.4414	-0.1			SGD	1.372	+0.0	DAX	20,133	-0.4	20.5	Wheat Chic.	554.3	+2.0
NZD/AUD	0.9025	-0.2			IDR	16,283	+0.6	CAC 40	7,409	-0.3	-0.8	Sugar	18.88	-1.8
NZD/EUR	0.5440	+0.5			THB	34.76	+0.2	Nikkei	39,190	-1.0	10.2	Cotton	67.44	+0.7
NZD/GBP	0.4567	+0.4			KRW	1,467	-0.4	Shanghai	3,161	-0.2	9.7	Coffee	326.1	+0.8
NZD/JPY	87.47	-0.1			TWD	33.12	+0.4	ASX 200	8,192	-1.2	9.3	WM powder	3755	+0.0
NZD/CAD	0.8010	-0.1			PHP	58.70	+0.6	NZX 50	12,827	-0.5	8.2	Australian Futures		
NZ TWI	67.29	+0.0						VIX Index	20.03	+2.5	+57.7	3 year bond	95.94	-0.13
												10 year bond	95.34	-0.02
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields				
Rates		Swap Yields		Benchmark 10 Yr Bonds		Last		Chg		Last			Chg	
	Cash	3Mth	2 Yr	10 Yr										
USD	4.50	4.85	4.24	4.29	USD	4.78	0.02	15-Apr-27	3.66	0.07	BKBM 1-mth	4.37	0.00	
AUD	4.35	4.34	3.99	4.61	AUD	4.63	0.09	15-May-28	3.76	0.07	BKBM 3-mth	4.09	-0.03	
NZD	4.25	4.09	3.45	4.14	NZD	4.62	0.07	20-Apr-29	3.90	0.07	1 year	3.56	0.05	
EUR	3.00	2.77	2.41	2.57	GER	2.61	0.02	15-May-30	4.06	0.07	2 year	3.45	0.08	
GBP	4.75	5.30	4.42	4.30	GBP	4.89	0.05	15-May-31	4.25	0.07	3 year	3.50	0.09	
JPY	0.23	-0.03	0.68	1.14	JPY	1.20	0.00	15-May-32	4.41	0.07	5 year	3.69	0.08	
CAD	3.25	4.97	2.98	3.21	CAD	3.49	0.05	14-Apr-33	4.52	0.07	7 year	3.90	0.07	
								15-May-34	4.62	0.07	10 year	4.14	0.07	
								15-May-35	4.71	0.07	15 year	4.39	0.07	
								15-May-36	4.81	0.07				
								15-May-37	4.90	0.07				
								15-May-41	5.11	0.07				
								15-May-51	5.29	0.07				
								15-May-54	5.31	0.07				

* These are indicative ranges from 5pm NZT;

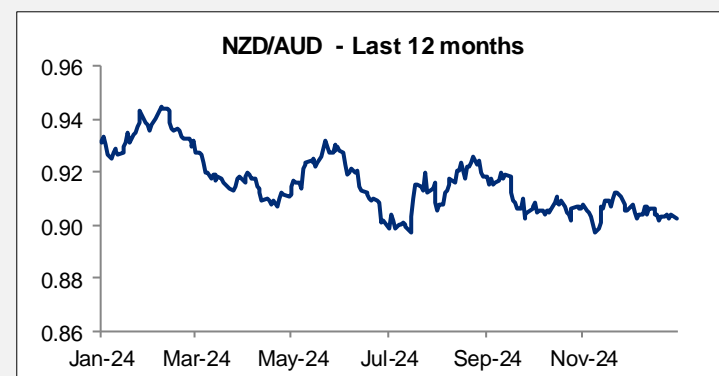
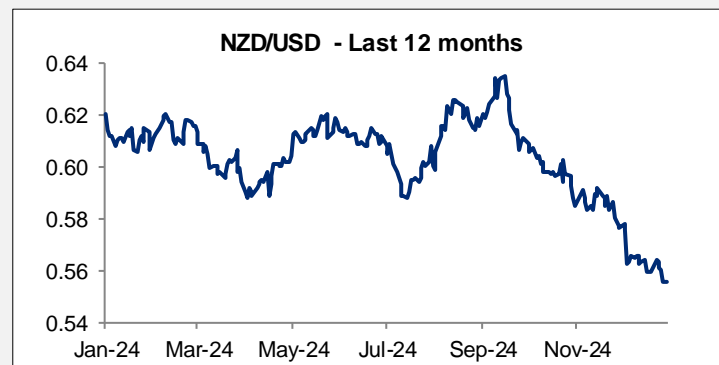
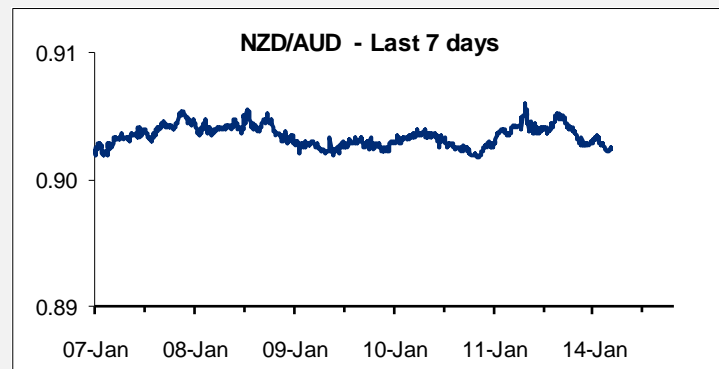
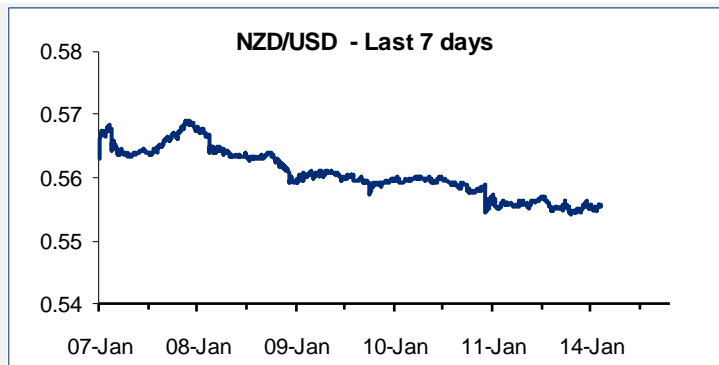
please confirm rates with your BNZ dealer

Rates are as of: NZT 06:36

Source: Bloomberg

NZD exchange rates

14/01/2025 6:36 am		Prev. NY close
USD	0.5557	0.5557
GBP	0.4567	0.4552
AUD	0.9025	0.9040
EUR	0.5440	0.5425
JPY	87.47	87.65
CAD	0.8010	0.8015
CHF	0.5105	0.5092
DKK	4.0577	4.0469
FJD	1.2993	1.3002
HKD	4.3268	4.3276
INR	48.11	47.78
NOK	6.3727	6.3771
PKR	154.86	154.80
PHP	32.63	32.43
PGK	2.2281	2.2273
SEK	6.2690	6.2349
SGD	0.7625	0.7621
CNY	4.0743	4.0747
THB	19.33	19.22
TOP	1.3590	1.3521
VUV	69.92	69.80
WST	1.5914	1.5753
XPF	64.28	64.19
ZAR	10.5979	10.6185



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.90	1.20
3 Months	6.48	6.95
6 Months	19.73	20.73
9 Months	35.30	37.30
1 Year	51.41	54.40

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.17	1.80
3 Months	7.71	9.03
6 Months	24.01	26.69
9 Months	43.22	47.94
1 Year	61.73	70.14

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