

Research Markets Today

14 March 2025

Events Round-Up

EA: Industrial production (m/m%), Jan: 0.8 vs. 0.6 exp.

US: PPI ex food, energy (m/m%), Feb: 0.2 vs. 0.3 exp.

US: PPI ex food, energy (y/y%), Feb: 3.4 vs. 3.5 exp.

US: Initial jobless claims (k), wk to 8 Mar: 220 vs. 225 exp.

Good Morning

More tariff threats, a possible US government shutdown and doubts over a Ukraine-Russia peace deal are all overhanging the market, resulting in weaker risk appetite – US equities are down significantly again, US Treasury yields are lower, and the yen has outperformed. The NZD is flirting with the 0.57 level.

President Trump threatened on Truth Social to place a 200% tariff on wine, champagne and alcoholic beverages from France and the rest of the EU “shortly” if the 50% retaliatory tariff on US whiskey proposed by the EU is not removed immediately. This followed the EU imposing retaliatory tariffs on the US that take effect on about \$28b of targeted US goods such as American whiskey, Harley Davidsons and a range of other products produced in Republican states, effective April. President Trump later told reporters that he would not pull back from tariffs “we’re not going to be ripped off anymore” and saying the EU was “very nasty”.

As if the trade war isn’t enough, another possible government shutdown from this weekend is also on the minds of investors, after Senate Democrat leader Schumer said his party would block a Republican spending bill.

On the Ukraine/Russia war, President Putin said Russia wouldn’t agree to an immediate end to the fighting in Ukraine but there remained hope for some sort of deal, with further discussions to take place. Putin said any pause in fighting at this point would be in Ukraine’s interest and Russia wanted a truce that led “to a lasting peace and the elimination of the root causes” of the war. He added “the idea itself is good, and we of course support it, but there are issues we have to discuss”.

Needless to say, without any good news overnight, US equities opened weaker and the S&P500 is currently down over 1½% in early afternoon trading. The IT sector has

underperformed, seeing the Nasdaq index down over 2%. The EuroStoxx 600 declined by less than 0.2%.

The US 10-year Treasury yield traded as high as 4.35% overnight before the prevailing risk-off mood took over and the yield is currently 4.26%, down 5bps for the day and 3bps from the NZ close. The curve movement has been parallel.

US PPI data were on the soft side, following the softer CPI data yesterday, with the PPI ex food and energy 0.2% m/m and 3.4% y/y, a tick lower than expected. However, the details matter, and combining the components of the CPI and PPI that feed into the PCE deflators – the Fed’s inflation target – the core measure is expected to come in around 0.3-0.4% m/m, the latter being the estimate of Pantheon Macroeconomics. Furthermore, the imposition of new tariffs, if sustained, will lead to a higher inflationary pulse in coming months. The data had only a passing impact on the market.

Initial jobless claims nudged down 2k last week to 220k, still showing no evidence of rising job layoffs as seen in the Challenger and Co data, and for regions most exposed to Federal job cuts – DC, Virginia and Maryland – jobless claims fell to their lowest level in six weeks.

In currency markets, the safe-haven yen has outperformed, with USD/JPY around 147.50. The NZD and AUD have underperformed. NZD/JPY is down 1% towards 84. The NZD fell below 0.57 and currently trades near the figure. The AUD has fallen back below 0.63. NZD/GBP traded at a fresh nine-year low just below 0.44 and currently sits just above the figure while NZD/EUR is around 0.5250. On the big dollar, US Treasury Secretary Bessent said the “USD priced in a lot after President Trump’s victory and the Republican sweep...it’s natural to see an adjustment”, in reference to broad USD weakness over the last couple of months.

In the domestic rates market yesterday, there were only small net changes across the curve. Higher yields earlier in the day helped the weekly bond tender, with strong bidding across all the lines, with bid-cover ratios between 4-5 and pricing 1-2bps below prevailing mids. The market rallied thereafter and the 10-year NZGB fell 2bps to 4.66%. The swaps market showed a clear flattening bias, with payside pressure in the 2-year rate taking it up 3bps on the day to 3.45%, while the 10-year rate fell 2bps to 4.16%.

On the economic calendar, the NZ manufacturing PMI is released, where interest will lie in whether the recent move into expansionary territory can be sustained, followed by monthly pricing indicators, which will feed into Q1 CPI estimates. Tonight sees the release of UK monthly GDP data and the University of Michigan consumer survey.

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Coming Up

| | | Period | Cons. | Prev. | NZT |
|----|-----------------------------------|--------|-------|-------|-------|
| NZ | Manufacturing PMI | Feb | 51.4 | 10:30 | |
| NZ | Monthly pricing indicators | Feb | 1.9 | 10:45 | |
| UK | GDP (m/m%) | Jan | 0.1 | 0.4 | 20:00 |
| UK | Industrial production (m/m%) | Jan | -0.1 | 0.5 | 20:00 |
| US | U. of Mich. consumer sent. | Mar | 63.1 | 64.7 | 03:00 |
| US | U. of Mich. 5-10y inflation exps. | Mar | 3.4 | 3.5 | 03:00 |

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 | % Day | % Year | Last | Net Day | Last | Net Day | |
| NZD | 0.5700 | -0.5 | 0.5683 | 0.5723 | CHF | 0.8838 | +0.2 | S&P 500 | 5,510 | -1.6 | 6.7 | Oil (Brent) | 69.82 | -1.6 |
| AUD | 0.6279 | -0.7 | 0.6269 | 0.6306 | SEK | 10.197 | +1.1 | Dow | 40,708 | -1.6 | 4.3 | Oil (WTI) | 66.53 | -1.7 |
| EUR | 1.0860 | -0.3 | 1.0823 | 1.0886 | NOK | 10.687 | +0.5 | Nasdaq | 17,280 | -2.1 | 6.8 | Gold | 2993.3 | +1.6 |
| GBP | 1.2941 | -0.2 | 1.2921 | 1.2966 | HKD | 7.772 | +0.0 | Stoxx 50 | 5,328 | -0.6 | 6.6 | HRC steel | 942.0 | -0.2 |
| JPY | 147.65 | -0.4 | 147.42 | 148.35 | CNY | 7.244 | +0.1 | FTSE | 8,543 | +0.0 | 9.9 | CRB | 303.8 | +0.3 |
| CAD | 1.4446 | +0.5 | | | SGD | 1.336 | +0.2 | DAX | 22,567 | -0.5 | 25.6 | Wheat Chic. | 561.5 | +1.4 |
| NZD/AUD | 0.9078 | +0.1 | | | IDR | 16,428 | -0.1 | CAC 40 | 7,938 | -0.6 | -2.4 | Sugar | 19.25 | +2.1 |
| NZD/EUR | 0.5249 | -0.3 | | | THB | 33.71 | -0.3 | Nikkei | 36,790 | -0.1 | -5.2 | Cotton | 66.51 | -0.7 |
| NZD/GBP | 0.4405 | -0.4 | | | KRW | 1,454 | +0.1 | Shanghai | 3,359 | -0.4 | 10.5 | Coffee | 385.7 | -0.3 |
| NZD/JPY | 84.16 | -0.9 | | | TWD | 32.97 | +0.1 | ASX 200 | 7,749 | -0.5 | 0.5 | WM powder | 3935 | +0.3 |
| NZD/CAD | 0.8234 | -0.0 | | | PHP | 57.36 | -0.0 | NZX 50 | 12,209 | -0.3 | 3.4 | Australian Futures | | |
| NZ TWI | 67.59 | -0.4 | | | | | | VIX Index | 25.75 | +6.3 | +87.3 | 3 year bond | 96.22 | 0.00 |
| 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 | Last | Net Day | | | | | | | | |
| USD | 4.50 | 4.85 | 3.77 | 3.84 | USD | 4.27 | -0.05 | 15-Apr-27 | 3.62 | 0.01 | BKBM 1-mth | 3.84 | 0.00 | |
| AUD | 4.10 | 4.12 | 3.69 | 4.34 | AUD | 4.42 | -0.02 | 15-May-28 | 3.80 | 0.00 | BKBM 3-mth | 3.69 | 0.00 | |
| NZD | 3.75 | 3.69 | 3.45 | 4.16 | NZD | 4.66 | -0.02 | 20-Apr-29 | 3.93 | -0.00 | 1 year | 3.40 | 0.02 | |
| EUR | 2.50 | 2.53 | 2.29 | 2.70 | GER | 2.86 | -0.02 | 15-May-30 | 4.08 | -0.01 | 2 year | 3.45 | 0.03 | |
| GBP | 4.50 | | 4.05 | 4.14 | GBP | 4.68 | -0.05 | 15-May-31 | 4.25 | -0.00 | 3 year | 3.54 | 0.02 | |
| JPY | 0.48 | -0.03 | 0.85 | 1.34 | JPY | 1.55 | 0.02 | 15-May-32 | 4.38 | -0.01 | 5 year | 3.73 | 0.00 | |
| CAD | 2.75 | 4.97 | 2.39 | 2.75 | CAD | 3.03 | -0.04 | 14-Apr-33 | 4.48 | -0.01 | 7 year | 3.92 | -0.01 | |
| | | | | | | | | 15-May-34 | 4.57 | -0.02 | 10 year | 4.16 | -0.02 | |
| | | | | | | | | 15-May-35 | 4.66 | -0.02 | 15 year | 4.41 | -0.02 | |
| | | | | | | | | 15-May-36 | 4.75 | -0.02 | | | | |
| | | | | | | | | 15-May-37 | 4.85 | -0.01 | | | | |
| | | | | | | | | 15-May-41 | 5.06 | -0.01 | | | | |
| | | | | | | | | 15-May-51 | 5.22 | -0.01 | | | | |
| | | | | | | | | 15-May-54 | 5.24 | -0.01 | | | | |
| | | | | | | | | | | | | | | |

* 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

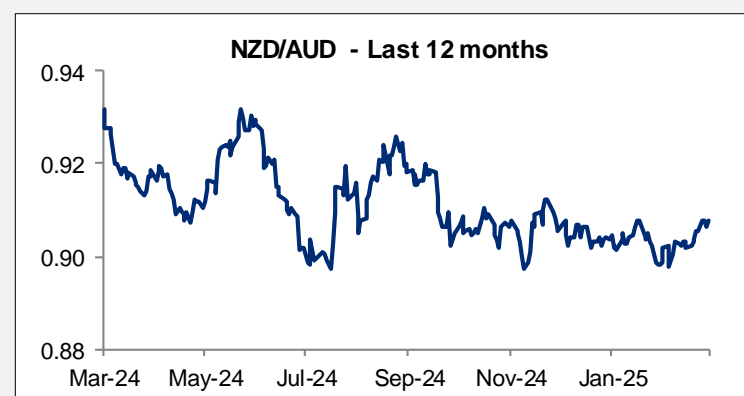
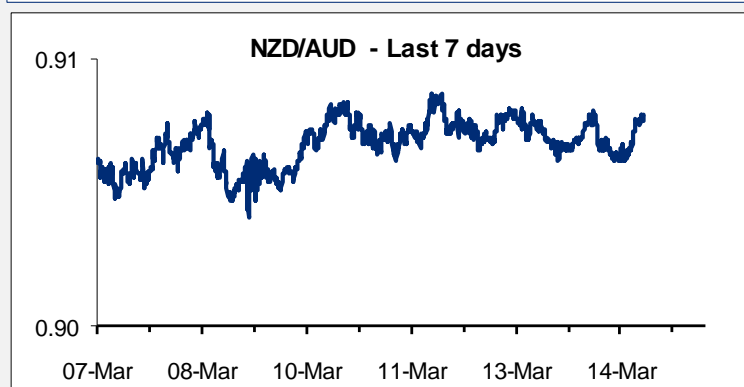
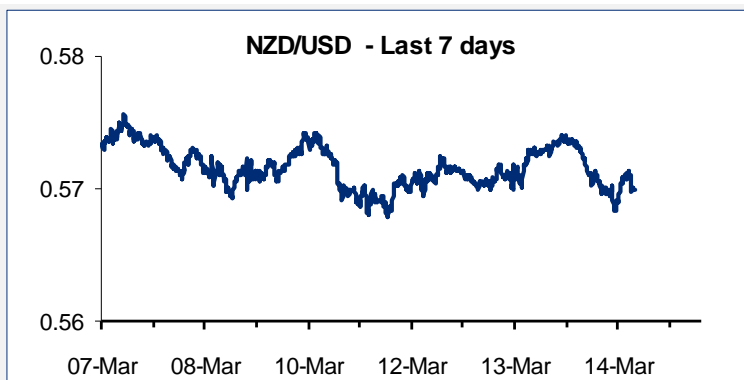
| 14/03/2025 | 6:55 am | Prev. NY close |
|------------|---------|----------------|
| USD | 0.5700 | 0.5730 |
| GBP | 0.4405 | 0.4420 |
| AUD | 0.9078 | 0.9065 |
| EUR | 0.5249 | 0.5263 |
| JPY | 84.16 | 84.95 |
| CAD | 0.8234 | 0.8234 |
| CHF | 0.5038 | 0.5053 |
| DKK | 3.9155 | 3.9259 |
| FJD | 1.3112 | 1.3227 |
| HKD | 4.4302 | 4.4518 |
| INR | 49.59 | 49.97 |
| NOK | 6.0916 | 6.0963 |
| PKR | 159.63 | 160.40 |
| PHP | 32.70 | 32.88 |
| PGK | 2.2975 | 2.3040 |
| SEK | 5.8124 | 5.7819 |
| SGD | 0.7615 | 0.7638 |
| CNY | 4.1288 | 4.1473 |
| THB | 19.25 | 19.40 |
| TOP | 1.3607 | 1.3594 |
| VUV | 70.34 | 70.82 |
| WST | 1.5892 | 1.5908 |
| XPF | 62.56 | 64.20 |
| ZAR | 10.4387 | 10.5100 |

NZD/USD Forward Points

| | BNZ buys NZD | BNZ sells NZD |
|----------|--------------|---------------|
| 1 Month | 3.19 | 3.43 |
| 3 Months | 11.09 | 11.58 |
| 6 Months | 23.10 | 24.10 |
| 9 Months | 32.92 | 34.92 |
| 1 Year | 40.21 | 43.21 |

NZD/AUD Forward Points

| | BNZ buys NZD | BNZ sells NZD |
|----------|--------------|---------------|
| 1 Month | 2.94 | 3.50 |
| 3 Months | 11.35 | 12.55 |
| 6 Months | 24.56 | 27.28 |
| 9 Months | 35.65 | 40.93 |
| 1 Year | 43.95 | 52.32 |



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