

Research Markets Today

15 January 2025

Events Round-Up

AU: Westpac Consumer Conf Index, Jan: 92.1 vs. 92.8 prev.
US: NFIB Small Business Optimism, Dec: 105 vs. 101.5 exp.
US: PPI Ex Food and Energy (m/m%), Dec: 0.0 vs. 0.3 exp.
US: PPI Ex Food and Energy (y/y%), Dec: 3.5 vs. 3.8 exp.

Good morning

Global asset markets are little changed despite an unexpected slowing in US PPI data, with the market looking ahead to the more impactful CPI data, which is released this evening. Intra-day gains for the S&P after the PPI data have faded and the index has slipped into negative territory in afternoon trade. European equities closed higher with the Euro Stoxx up 0.5%. Treasury yields are marginally higher while the US dollar is weaker.

US PPI inflation unexpectedly cooled in December. The core reading was unchanged during the month which was well below the 0.3% consensus forecast. However, some of the components that feed into the Federal Reserve's preferred inflation measure, the core PCE deflator, were elevated. The CPI release will provide the remaining inputs required to estimate core PCE which is released at the end of the month.

The market reaction to the PPI data was relatively muted. 2-year treasury yields dropped 5bp from the session highs near 4.40% but have since retraced to be little changed. After a temporary dip 10-year treasury yields remain near the cyclical peak at 4.79% with the curve marginally steeper. European bonds are generally higher in yield. 10-year bunds increased 4bp to 2.64% and are approaching the 2.69% high from 2024.

The US dollar is broadly weaker against G10 currencies. The move began in Asia after Bloomberg reported that Trump's economic team is discussing a gradual approach to tariffs to avoid a spike in inflation. The dollar's move lower extended after the PPI data. The euro was the strongest major pairing while the yen underperformed. A speech by Bank of Japan Deputy Governor Himino signalled the possibility of a rate hike at next weeks meeting but that wasn't sufficient to support the yen.

The latest Commodity Futures Trading Commission (CFTC) data covering positioning in currency futures for the week

ended 7 January, revealed speculative accounts hold a US\$34 billion aggregate long US dollar position, which is the largest since 2019. The CFTC data also indicated that speculative accounts added to NZD short positions which have reached a record level.

NZD/USD rebounded from the two-year low in the Asian session yesterday and traded above 0.5600 overnight. However, the upside momentum faded. The NZD is softer against the euro and is little changed on the other main crosses.

Indicators within the Quarterly Survey of Business Opinion were consistent with a slow recovery in economic activity and muted inflation pressures. There was a modest improvement in hiring intentions and other labour market indicators, albeit from depressed levels. The NZIER noted that weak demand is weighing on inflation and that firms cite the lack of demand as the primary constraint on business.

NZ fixed income yields moved sharply higher in the local session yesterday and underperformed on a cross-market basis with Australian yields little changed. The sell-off was driven by positioning and flows as there was no fundamental driver. The front end of the curve saw the greatest pressure with 2-year yields increasing 13bp to 3.58%. 10-year rates increased 8bp with the 2y/10y curve retracing to 64bp from the recent peak above 70bp.

The sell-off in swaps contributed to a repricing across the government curve. 10-year bonds closed 8bp higher at 4.79%. Australian 10-year government bond futures are little changed since the local close yesterday suggesting limited directional bias for NZ yields on the open.

There is no domestic or regional data in the day ahead. CPI data for December in the UK will be in focus with the gilt market on edge. 10-year gilt yields have increased to a 16-year high and higher borrowing costs are putting pressure on the fiscal outlook.

US core CPI is expected to increase by 0.3% for the fifth consecutive month in December, which if realised, will contribute to concerns that the disinflation process is stalling. Rising gasoline and food prices looks set to boost headline CPI.

stuart.ritson@bnz.co.nz

Coming Up

	Period	Cons.	Prev.	NZT	
US	Fed's Williams Gives Opening Remarks			09:05	
UK	CPI (m/m%)	Dec	0.4	0.1	20:00
UK	CPI (y/y%)	Dec	2.6	2.6	20:00
UK	CPI Core (y/y%)	Dec	3.4	3.5	20:00
EC	ECB's Villeroy speaks in Paris			21:30	
US	Empire Manufacturing	Jan	3	0.2	02:30
US	CPI (m/m%)	Dec	0.4	0.3	02:30
US	CPI Ex Food and Energy (m/m%)	Dec	0.3	0.3	02:30
US	CPI (y/y%)	Dec	2.9	2.7	02:30
US	CPI Ex Food and Energy (y/y%)	Dec	3.3	3.3	02:30
US	Fed's Barkin Speaks in Annapolis			03:20	
US	Fed's Kashkari Participates in Q&A			04:00	
US	Fed's Williams Gives Keynote Remarks			05:00	
UK	BOE's Taylor Speaks			05:30	
US	Fed's Goolsbee Speaks			06:00	

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	0.5591	+0.1	0.5586	0.5631	CHF	0.9144	-0.3				Oil (Brent)	80.43	-0.7
AUD	0.6179	+0.0	0.6166	0.6207	SEK	11.201	-0.4				Oil (WTI)	77.97	-1.1
EUR	1.0286	+0.4	1.0240	1.0304	NOK	11.402	-0.2				Gold	2682.0	+0.1
GBP	1.2178	-0.2	1.2140	1.2246	HKD	7.787	+0.0				HRC steel	707.0	+0.3
JPY	158.11	+0.4	157.30	158.15	CNY	7.331	-0.0				CRB	309.0	+1.0
CAD	1.4377	-0.0			SGD	1.368	-0.1				Wheat Chic.	559.5	+0.5
NZD/AUD	0.9048	+0.1			IDR	16,270	-0.1				Sugar	18.34	-3.0
NZD/EUR	0.5436	-0.3			THB	34.72	+0.1				Cotton	67.50	-0.2
NZD/GBP	0.4591	+0.3			KRW	1,460	-0.5				Coffee	322.8	-0.9
NZD/JPY	88.40	+0.5			TWD	33.01	-0.3				WM powder	3775	+0.5
NZD/CAD	0.8038	+0.1			PHP	58.61	-0.2				Australian Futures		
NZ TWI	67.58	+0.1									3 year bond	95.96	0.02
											10 year bond	95.32	0.00
Interest Rates							NZ Government Bonds				NZ BKBM and Swap Yields		
Rates		Swap Yields		Benchmark 10 Yr Bonds									
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last	Chg		Last	Chg
USD	4.50	4.85	4.23	4.32	USD	4.80	0.02	15-Apr-27	3.76	0.11	BKBM 1-mth	4.37	0.00
AUD	4.35	4.34	4.00	4.64	AUD	4.61	-0.02	15-May-28	3.88	0.11	BKBM 3-mth	4.11	0.02
NZD	4.25	4.11	3.58	4.22	NZD	4.70	0.08	20-Apr-29	4.01	0.11	1 year	3.65	0.09
EUR	3.00	2.79	2.45	2.62	GER	2.65	0.04	15-May-30	4.16	0.10	2 year	3.58	0.13
GBP	4.75	5.30	4.46	4.34	GBP	4.89	0.00	15-May-31	4.34	0.09	3 year	3.62	0.12
JPY	0.23	-0.03	0.69	1.16	JPY	1.25	0.04	15-May-32	4.50	0.09	5 year	3.80	0.10
CAD	3.25	4.97	3.01	3.27	CAD	3.55	0.04	14-Apr-33	4.61	0.09	7 year	3.99	0.09
								15-May-34	4.70	0.08	10 year	4.22	0.08
								15-May-35	4.79	0.07	15 year	4.46	0.08
								15-May-36	4.88	0.07			
								15-May-37	4.97	0.07			
								15-May-41	5.18	0.07			
								15-May-51	5.36	0.07			
								15-May-54	5.38	0.07			

* These are indicative ranges from 5pm NZT;

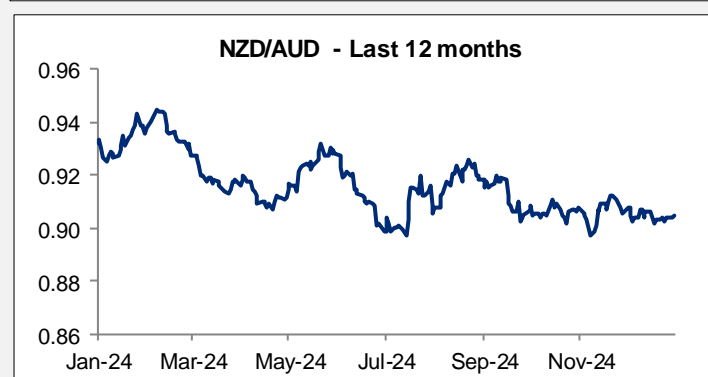
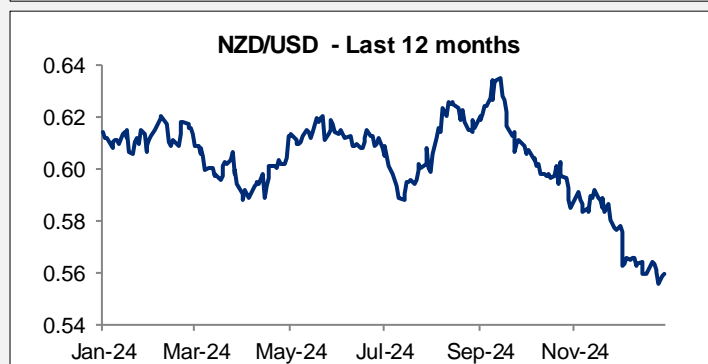
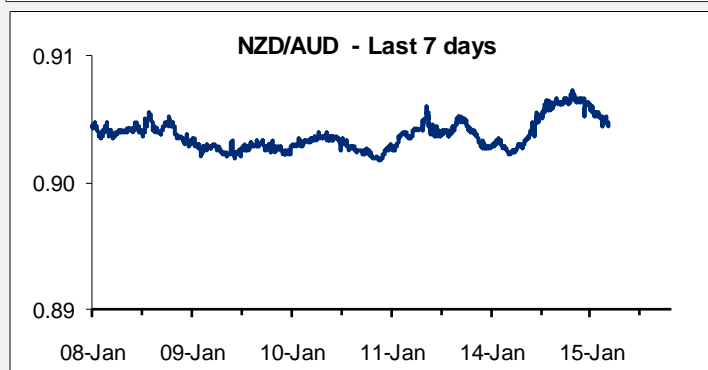
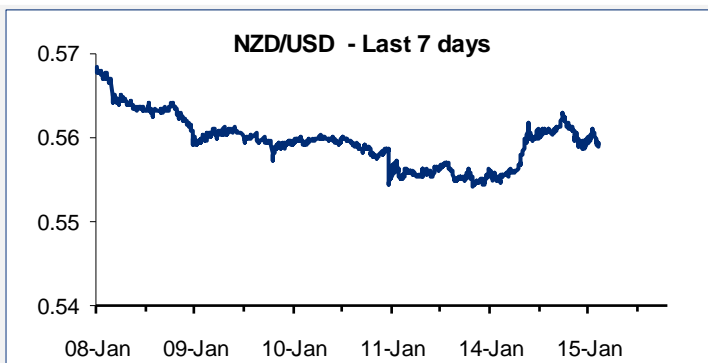
please confirm rates with your BNZ dealer

Rates are as of: NZT 06:22

Source: Bloomberg

NZD exchange rates

15/01/2025 6:22 am		Prev. NY close
USD	0.5591	0.5583
GBP	0.4591	0.4575
AUD	0.9048	0.9038
EUR	0.5436	0.5449
JPY	88.40	87.92
CAD	0.8038	0.8028
CHF	0.5112	0.5120
DKK	4.0558	4.0653
FJD	1.3072	1.3180
HKD	4.3535	4.3468
INR	48.44	48.34
NOK	6.3749	6.3777
PKR	155.84	155.53
PHP	32.78	32.79
PGK	2.2418	2.2386
SEK	6.2624	6.2796
SGD	0.7650	0.7646
CNY	4.0989	4.0934
THB	19.44	19.42
TOP	1.3453	1.3654
VUV	70.41	69.75
WST	1.5854	1.5728
XPF	65.11	64.49
ZAR	10.5875	10.6320



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.89	1.04
3 Months	6.24	6.73
6 Months	18.61	19.61
9 Months	31.58	33.55
1 Year	46.35	49.34

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.20	1.61
3 Months	7.48	8.86
6 Months	22.60	25.23
9 Months	38.22	43.38
1 Year	55.48	63.82

Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Stuart Ritson

Senior Interest Rate Strategist
+64 9 9248601

Mike Jones

BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington

Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

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