Research Markets Today

17 February 2025

Events Round-Up

- NZ: Manufacturing PMI, Jan: 51.4 vs. 46.2 prev.
- NZ: Food prices (m/m%), Jan: 1.9 vs. 0.1 prev.
- US: Retail sales (m/m%), Jan: -0.9 vs. -0.2 exp.
- US: Retail sales ex auto, gas, Jan: -0.4 vs. 0.3 exp.
- US: Retail sales control group, Jan: -0.8 vs. 0.3 exp.
- US: Industrial production (m/m%), Jan: 0.5 vs. 0.3 exp.

Good morning

A significant downside surprise to US retail sales data contributed to rally in treasuries and weighed on the US dollar. Equity markets were less impacted with the S&P oscillating in a narrow range and ultimately closing little changed as US investors looked ahead to a public holiday on Monday. European equities closed lower while the Hang Seng extended its recent strong run and advanced 3.7%. Brent crude prices were little changed near US\$75 per barrel and gold prices were also stable after strong gains since the beginning of January.

US retail sales in January fell well short of consensus expectations. Headline sales dropped by 0.9% and sales excluding autos fell 0.4%. Unseasonably cold weather and the California wildfires may have contributed at the margin but high borrowing costs, stubborn inflation and the fading impact of pre-tariff purchases are likely the key drivers. The control group which feeds into GDP declined 0.8%, the largest fall since March 2023.

The amount of Fed easing for 2025 implied by market pricing increased to 40bp, having been as low at 25bp, following the upside surprise to CPI data last week. Price action in US treasuries was dominated by the retail sales data resulting in a decent rally across the curve. 2-year yields fell 5bp to 4.26%, and back to the middle of the ~20bps trading range, that has persisted for the past six weeks. 10-year yields closed at 4.48%, also 5bp lower.

US swap spreads stabilised on Friday after surging higher through last week. Treasuries have outperformed swaps amid a more benign supply outlook relative to market expectations, commentary from US Treasury Secretary Bessent suggesting a desire for lower bond yields and the prospect of banking sector deregulation. 10-year swap spreads have reversed most of the fall from H2 2024 during the past six weeks. The new US administrations tariff policies remained in focus. President Trump signed a measure directing officials to propose new levies on a country-by-country basis to rebalance trade relations. The analysis is due to be completed by the beginning of April. The US dollar fell in NZ time after the announcement, given the increased tariffs are not starting immediately, and may represent a negotiating tactic.

DNZ* MARKETS

The US dollar continued to weaken in offshore trade with a further leg lower after the soft US data. The dollar index declined close to 0.5% with the move broad based against G10 currencies. The dollar index fell to a fresh low for the year putting speculative long USD positioning under pressure. The latest CFTC data revealed a paring of long US dollar positions in the week ending last Tuesday, but the aggregate position remains large, from a historical standpoint.

The NZD was the strongest G10 currency, extending above 0.5700 Friday night, to reach the highest level since mid-December. NZD/AUD was little changed while the NZD made gains against the yen, euro and pound.

The initial rally across the NZ swap curve faded and rates reversed higher in the local session on Friday. Inflation partials for January were marginally higher than our baseline forecasts and we increased our Q1 CPI forecast to 0.6% from 0.5%. 2-year swap rates, which had fallen to 3.46% initially, reversed back to 3.51% and ended unchanged on the day. The curve flattened with 10-year rates closing 3bp lower at 4.15%.

Government bonds outperformed. 10-year yields closed 5bp lower at 4.61%. Australian 10y bond futures are little changed since the local close on Friday, which suggests limited directional bias, for NZ yields on the open.

Turning to the day ahead, the domestic focus will centre on the services PMI. Its manufacturing counterpart, released on Friday, notably moved into expansionary territory for the first time in almost two years. Net migration data is also scheduled. G4 GDP data in Japan is the only international release of note. A public holiday in the US is likely to limit market activity to start the week.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance Services Index	Jan		47.9	10:30
NZ	Net Migration SA	Dec		2070	10:45
JN	GDP SA (q/q%)	4Q P	0.3	0.3	12:50

Source: Bloomberg, BNZ

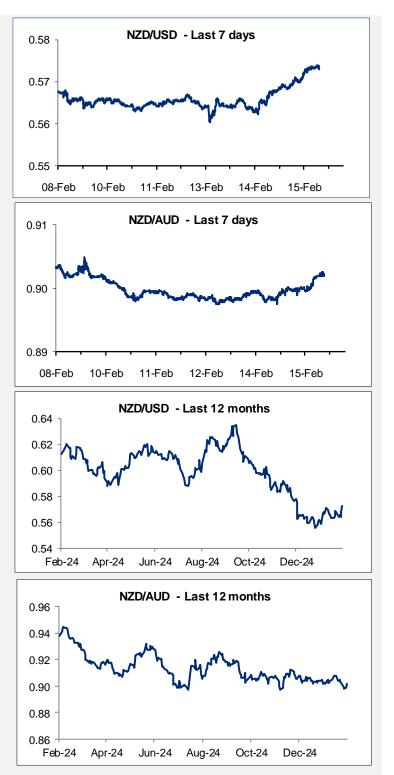
Currenci	es							Equities				Commoditie	S	
FX Majors	X Majors Indicative overnight ranges (*)			Other FX			Major Indices			Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day
NZD	0.5732	+1.0	0.5684	0.5738	CHF	0.8998	-0.4	S&P 500	6,115	-0.0	22.2	Oil (Brent)	74.74	-0.4
AUD	0.6354	+0.6	0.6318	0.6368	SEK	10.693	-0.4	Dow	44,546	-0.4	15.3	Oil (WTI)	70.74	-0.8
EUR	1.0491	+0.3	1.0452	1.0514	NOK	11.123	-0.2	Nasdaq	20,027	+0.4	26.3	Gold	2883.6	-1.4
GBP	1.2586	+0.2	1.2552	1.2630	HKD	7.784	-0.1	Stoxx 50	5,493	-0.1	15.3	HRC steel	768.0	+0.1
JPY	152.32	-0.3	152.03	152.84	CNY	7.257	-0.4	FTSE	8,732	-0.4	13.2	CRB	312.1	-0.4
CAD	1.4177	-0.1			SGD	1.339	-0.3	DAX	22,513	-0.4	31.5	Wheat Chic.	613.5	+3.6
NZD/AUD	0.9020	+0.4			IDR	16,251	-0.7	CAC 40	8,179	+0.2	5.3	Sugar	20.42	+1.2
NZD/EUR	0.5463	+0.8			THB	33.73	+0.1	Nikkei	39,149	-0.8	1.7	Cotton	67.11	+0.4
NZD/GBP	0.4554	+0.7			KRW	1,441	-0.5	Shanghai	3,347	+0.4	16.8	Coffee	407.4	-4.2
NZD/JPY	87.30	+0.6			TWD	32.72	-0.3	ASX 200	8,556	+0.2	11.7	WM powder	4100	-0.7
NZD/CAD	0.8126	+0.8			PHP	57.84	-0.4	NZX 50	12,989	+0.6	10.8	Australian Fu	tures	
NZ TWI	68.19	+0.5						VIX Index	14.77	-2.2	+3.7	3 year bond	96.17	0.03
Interest F	Rates											10 year bond	95.56	-0.02
Rates Swap Yields		elds	Benchmark 10 Yr Bonds			NZ Governn	nent Bond	S		NZ BKBM and	Swap Yi	elds		
-	Cash	3Mth	2 Yr	10 Yr		Last	Net Day			Last	Chg	_	Last	Chg
USD	4.50	4.85	4.11	4.08	USD	4.48	-0.05	15-Apr-27		3.66	-0.00	BKBM 1-mth	3.98	-0.02
AUD	4.35	4.18	3.82	4.42	AUD	4.42	-0.05	15-May-28		3.83	-0.00	BKBM 3-mth	3.82	-0.02
NZD	4.25	3.82	3.51	4.15	NZD	4.61	-0.04	20-Apr-29		3.96	-0.01	1 year	3.50	-0.01
EUR	2.75	2.56	2.27	2.42	GER	2.43	0.01	15-May-30		4.09	-0.01	2 year	3.51	0.00
GBP	4.50	5.30	4.06	4.05	GBP	4.50	0.01	15-May-31		4.23	-0.02	3 year	3.58	0.00
JPY	0.48	-0.03	0.82	1.26	JPY	1.36	0.01	15-May-32		4.36	-0.03	5 year	3.75	-0.01
CAD	3.00	4.97	2.61	2.89	CAD	3.11	-0.01	14-Apr-33		4.44	-0.04	7 year	3.93	-0.02
								15-May-34		4.52	-0.04	10 year	4.15	-0.03
								15-May-35		4.61	-0.04	15 year	4.40	-0.04
					NZ Infla	tion-Inde	exed Bonds	15-May-36		4.69	-0.04			
* These are indicative ranges from 5pm NZT; Sep-30 2.32 -0.04			15-May-37		4.78	-0.04								
please confirm rates with your BNZ dealer Sep-35 2.83 -0.03			15-May-41		4.98	-0.02								
Rates at NY close Sep-40 3.11 -0.03			-0.03	15-May-51		5.14	-0.02							
Source: Bloomberg			15-May-54		5.14	-0.01								

NZD exchange rates								
15/02/2025	NY close	Prev. NY close						
USD	0.5732	0.5677						
GBP	0.4554	0.4518						
AUD	0.9020	0.8987						
EUR	0.5463	0.5425						
JPY	87.30	86.74						
CAD	0.8126	0.8057						
CHF	0.5151	0.5126						
DKK	4.0712	4.0469						
FJD	1.3265	1.3181						
HKD	4.4565	4.4214						
INR	49.71	49.33						
NOK	6.3676	6.3267						
PKR	159.85	158.53						
PHP	33.11	32.96						
PGK	2.3001	2.2744						
SEK	6.1215	6.0930						
SGD	0.7668	0.7628						
CNY	4.1547	4.1373						
THB	19.25	19.20						
TOP	1.3566	1.3617						
VUV	71.05	70.63						
WST	1.5999	1.5865						
XPF	65.57	65.18						
ZAR	10.5268	10.4976						

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.38	2.77
3 Months	9.91	10.53
6 Months	22.85	25.65
9 Months	37.39	39.48
1 Year	49.70	52.70

NZD/AUD Forward Points							
	BNZ buys NZD	BNZ sells NZD					
1 Month	2.16	2.95					
3 Months	10.02	11.33					
6 Months	21.76	27.27					
9 Months	36.21	40.49					
1 Year	46.44	53.99					



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