

# 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.

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.

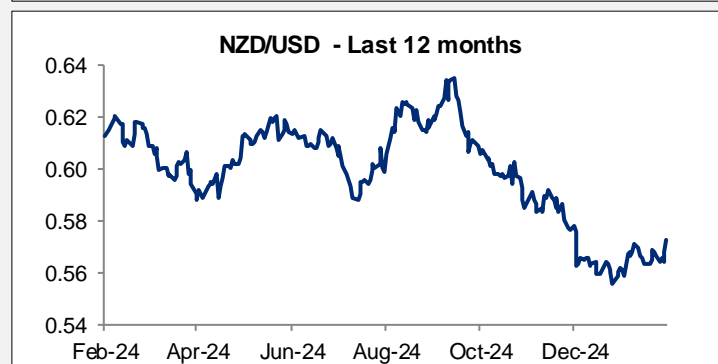
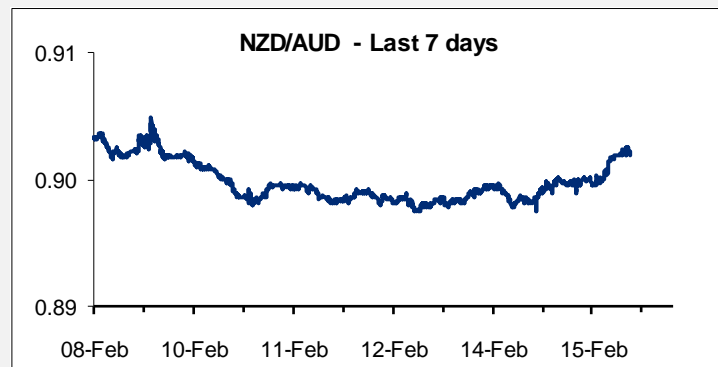
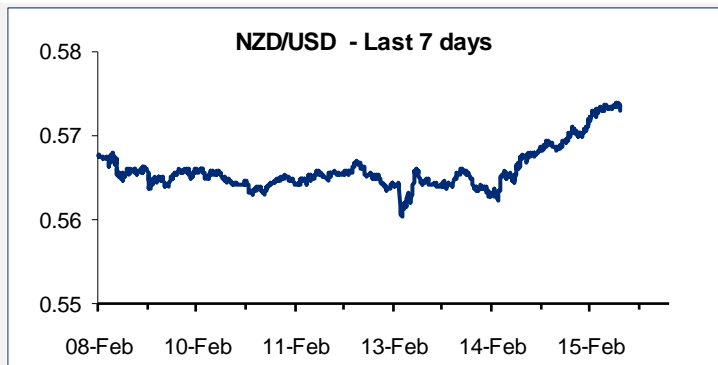
Turning to the day ahead, the domestic focus will centre on the services PMI. Its manufacturing counterpart, released on Friday, notably moved into expansionary territory for the first time in almost two years. Net migration data is also scheduled. G4 GDP data in Japan is the only international release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

[stuart.ritson@bnz.co.nz](mailto:stuart.ritson@bnz.co.nz)



**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

# 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

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

**Analyst Disclaimer:** The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.

