

Research Markets Today

17 January 2025

Events Round-Up

NZ: Monthly CPI indicator (y/y%), Dec: 1.3 vs. 1.7 prev.
 AU: Employment change (k), Dec: 56 vs. 15 exp.
 AU: Unemployment rate (%), Dec: 4.0 vs. 4.0 exp.
 UK: GDP (m/m%), Nov: 0.1 vs. 0.2 exp.
 UK: Industrial production (m/m%), Nov: -0.4 vs. 0.1 exp.
 US: Retail sales (m/m%), Dec: 0.4 vs. 0.6 exp.
 US: Retail Sales ex auto, gas (m/m%), Dec: 0.3 vs. 0.4 exp.
 US: Retail sales control group (m/m%), Dec: 0.7 vs. 0.4 exp.
 US: NAHB housing market index, Jan: 47 vs. 46 exp.
 US: Philly Fed business outlook, Jan: 44.3 vs. -5.0 exp.
 US: Initial jobless claims (k), 11-Jan: 217 vs. 210 exp.

Good Morning

The biggest market moving event overnight was some dovish comments by Fed Governor Waller which triggered a fall in interest rates after an earlier lift. In an interview with CNBC, Waller said “the inflation data we got yesterday was very good...if we continue getting numbers like this, it’s reasonable to think rate cuts could happen in the first half of the year”. He added that he wouldn’t entirely rule out a cut by March and, based on the FOMC’s median estimate of the neutral policy rate, three or four cuts this year are possible, depending on incoming data.

His comments triggered an 8bps fall in the 10-year Treasury yield from 4.68% to 4.60% before the market settled. It currently trades at 4.61%, down 5bps from the NZ close. The 2-year rate showed a similar move while the market priced in the chance of more Fed easing this year, up 5bps to 44bps with the next full rate cut priced by June (from July).

Supporting the bond market rally, were some market friendly comments as Trump’s pick for Treasury Secretary, Scott Bessent, appeared before a Senate committee for his confirmation hearing. His prepared remarks were released yesterday where he said maintaining the USD as the world’s reserve currency was critical to US economic health and he emphasised the need to secure supply chains and carefully deploy sanctions. He also emphasised the importance of addressing the budget deficit. In the Q&A he said supported extending the 2017 Republican tax cuts, “this is the single most important economic issue of

the day”, while regarding the deficit he said spending was the issue, not revenue. He supported the Fed remaining an independent central bank.

Economic data released were not particularly market moving. Retail sales data were solid, with the control group measure that feeds into GDP up 0.7% m/m, three-tenths stronger than consensus, and capping off a strong quarter, rising at an annualised 5.4% pace. The headline and ex auto and gas measures were slightly weaker than expected at 0.4% m/m and 0.3% m/m respectively.

For the second-tier US releases, initial jobless claims rose a higher-than-expected 14k last week to 217k, the NAHB housing market index ticked higher to 47, while the Philadelphia Fed business outlook index surged higher to a head-scratching 44.3, one of the highest readings in forty years, possibly reflecting some front running of activity ahead of increased import tariffs.

UK GDP and industrial production figures were weaker than expected. The 0.1% lift in November meant that the three-monthly figure was flat, with the economy basically flatlining since the new government took office.

In currency markets, Waller’s comments resulted in some mild downside pressure for the USD but net changes for the day have been small. Again, JPY has been the strongest performer. Adding to comments earlier this week by BoJ Governor Ueda and Deputy Governor Himino about next week’s policy meeting being live, Bloomberg reported that BoJ officials see a good chance of an interest rate hike as long as the arrival of Trump at the White House doesn’t trigger too many negative surprises. The OIS market shows +21bps currently priced for the meeting. USD/JPY is down 0.8% for the day at 155.30.

The NZD fell to an overnight low just over 0.5580 and has since recovered, thanks to Waller, to 0.5615, little changed from the NZ close and from 24 hours ago. Same goes for the AUD at 0.6215. Reaction to Australian labour market data yesterday was modest. The data suggested the labour market remained tight, with the unemployment rate nudging up to 4.0%, tracking below RBA projections, a factor which could encourage the Bank to hold off from kick-starting an easing cycle, although core CPI inflation looks to be running below the RBA’s projection. NZD/AUD has been flat, hovering around 0.9025. Other NZD crosses show small changes apart from a 0.8% fall in NZD/JPY to 87.1.

Global forces sent NZ rates down yesterday, led by the long end of the curve, resulting in some curve flattening. The 10-year NZGB rate (2035) fell 10bps to 4.76%. There was strong demand at the first government bond tender for the year, particularly for the longer-term issues, supporting an 11-12bps fall for the ultra-long bonds. In the swaps market the 2-year rate fell 4bps to 3.61% while the 10-year rate fell 7bps to 4.01%. NZ monthly CPI data didn't change our estimate for Q4 CPI – released next week – which remained at 0.6% q/q and 2.3% y/y, two-tenths higher than the RBNZ's November projection.

In the day ahead, the NZ manufacturing PMI will be released followed by China Q4 GDP and December activity data. The consensus is picking that growth picked up in Q4, driving a lift in the annual gain to 5.0% y/y for the quarter and 4.9% on an annual average basis, not coincidentally in line with the government's 5% target. Tonight sees the release of UK retail sales and US housing starts, building permits and industrial production.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Manufacturing PMI	Dec	45.5	10:30	
CH	GDP (y/y%)	Q4	5.0	4.6	15:00
CH	GDP (q/q%)	Q4	1.6	0.9	15:00
CH	Industrial production (y/y%)	Dec	5.4	5.4	15:00
CH	Retail sales (y/y%)	Dec	3.5	3.0	15:00
CH	Fixed investment (ann avg%)	Dec	3.3	3.3	15:00
UK	Retail sales ex auto fuel (m/m%)	Dec	0.3	0.3	20:00
US	Housing starts (k)	Dec	1327	1289	02:30
US	Building permits (k)	Dec	1460	1493	02:30
US	Industrial production (m/m%)	Dec	0.3	-0.1	03:15

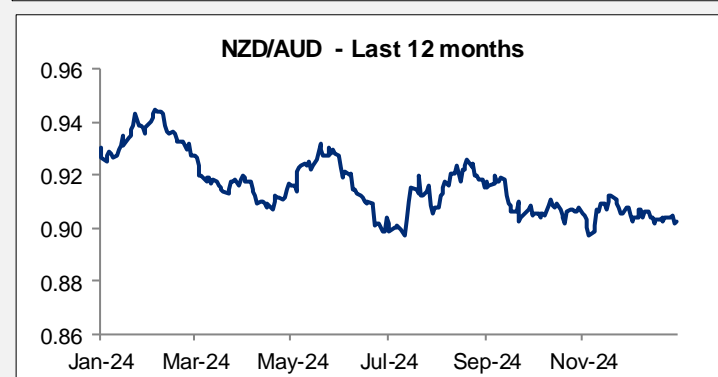
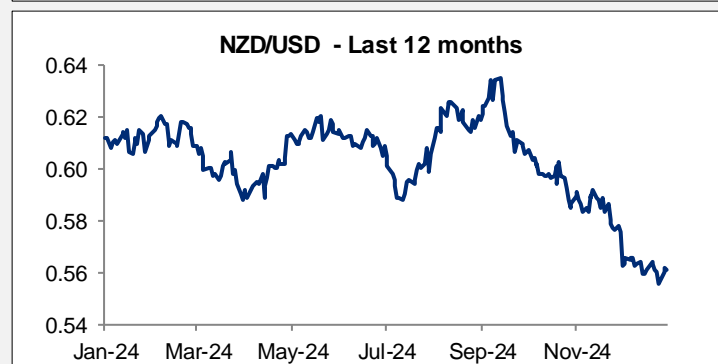
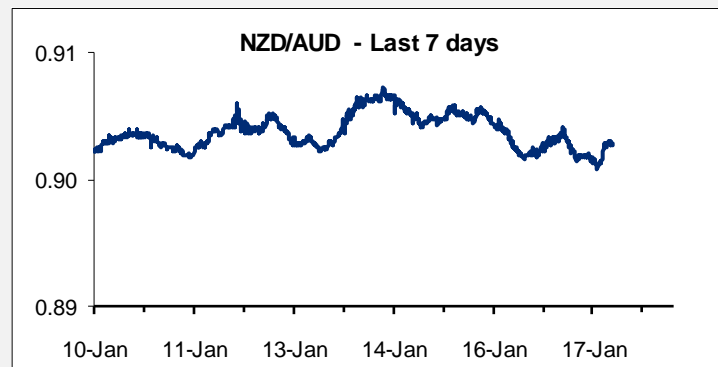
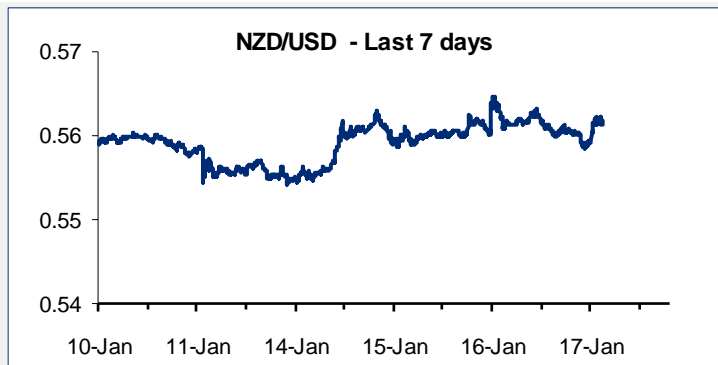
Source: Bloomberg, BNZ

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	0.5613	-0.1	0.5582	0.5624	CHF	0.9109	-0.2	S&P 500	5,953	+0.0	24.9	Oil (Brent)	81.43	-0.8
AUD	0.6218	-0.2	0.6192	0.6229	SEK	11.153	-0.0	Dow	43,198	-0.1	15.6	Oil (WTI)	79.00	-1.3
EUR	1.0298	+0.1	1.0261	1.0315	NOK	11.359	+0.3	Nasdaq	19,451	-0.3	30.2	Gold	2756.6	+1.4
GBP	1.2238	-0.0	1.2175	1.2260	HKD	7.788	+0.0	Stoxx 50	5,107	+1.5	14.9	HRC steel	696.0	-0.6
JPY	155.25	-0.8	155.11	156.35	CNY	7.332	-0.0	FTSE	8,392	+1.1	11.0	CRB	312.2	+1.6
CAD	1.4387	+0.3			SGD	1.366	-0.0	DAX	20,655	+0.4	24.6	Wheat Chic.	553.0	-1.0
NZD/AUD	0.9027	+0.1			IDR	16,376	+0.3	CAC 40	7,635	+2.1	3.2	Sugar	18.41	+2.2
NZD/EUR	0.5451	-0.1			THB	34.56	-0.1	Nikkei	38,573	+0.3	8.7	Cotton	67.11	-1.0
NZD/GBP	0.4587	-0.0			KRW	1,457	+0.0	Shanghai	3,236	+0.3	14.2	Coffee	327.4	-0.9
NZD/JPY	87.14	-0.8			TWD	32.92	-0.3	ASX 200	8,327	+1.4	12.6	WM powder	3830	+0.8
NZD/CAD	0.8075	+0.3			PHP	58.59	-0.0	NZX 50	13,001	+0.4	10.5	Australian Futures		
NZ TWI	67.67	-0.1						VIX Index	15.95	-1.1	+15.2	3 year bond	96.06	0.10
Interest Rates										10 year bond			95.48	0.04
Rates		Swap Yields			Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields				
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last	Chg		Last	Chg	
USD	4.50	4.85	4.09	4.15	USD	4.61	-0.04	15-Apr-27	3.74	-0.06	BKBM 1-mth	4.36	-0.00	
AUD	4.35	4.34	3.91	4.50	AUD	4.50	-0.13	15-May-28	3.89	-0.07	BKBM 3-mth	4.08	-0.04	
NZD	4.25	4.08	3.61	4.23	NZD	4.76	-0.10	20-Apr-29	4.03	-0.06	1 year	3.65	-0.03	
EUR	3.00	2.75	2.36	2.49	GER	2.55	-0.01	15-May-30	4.17	-0.08	2 year	3.61	-0.04	
GBP	4.75	5.30	4.26	4.16	GBP	4.68	-0.05	15-May-31	4.35	-0.08	3 year	3.66	-0.04	
JPY	0.23	-0.03	0.69	1.12	JPY	1.21	-0.05	15-May-32	4.50	-0.09	5 year	3.83	-0.06	
CAD	3.25	4.97	2.83	3.10	CAD	3.34	-0.08	14-Apr-33	4.60	-0.09	7 year	4.01	-0.06	
						NZ Inflation-Indexed Bonds			15-May-34	4.68	-0.09	10 year	4.23	-0.07
						Sep-30	2.47	-0.09	15-May-35	4.76	-0.10	15 year	4.47	-0.07
						Sep-35	2.89	-0.08	15-May-36	4.84	-0.11			
						Sep-40	3.15	-0.09	15-May-37	4.93	-0.11			
									15-May-41	5.14	-0.11			
									15-May-51	5.31	-0.12			
									15-May-54	5.32	-0.12			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:55
Source: Bloomberg

NZD exchange rates

17/01/2025 6:55 am		Prev. NY close
USD	0.5613	0.5616
GBP	0.4587	0.4587
AUD	0.9027	0.9019
EUR	0.5451	0.5458
JPY	87.14	87.87
CAD	0.8075	0.8054
CHF	0.5113	0.5125
DKK	4.0665	4.0726
FJD	1.3099	1.3171
HKD	4.3716	4.3730
INR	48.58	48.50
NOK	6.3760	6.3638
PKR	156.53	156.51
PHP	32.89	32.91
PGK	2.2506	2.2518
SEK	6.2604	6.2671
SGD	0.7670	0.7678
CNY	4.1152	4.1176
THB	19.42	19.50
TOP	1.3657	1.3661
VUV	69.97	70.01
WST	1.5884	1.5858
XPF	65.33	65.42
ZAR	10.5521	10.5481



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.01	1.20
3 Months	6.98	7.49
6 Months	18.26	19.46
9 Months	30.55	32.66
1 Year	42.53	45.53

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.36	1.87
3 Months	8.54	9.79
6 Months	21.69	24.77
9 Months	36.47	41.27
1 Year	49.65	57.63

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