

# Research Markets Today

17 March 2025

## Events Round-Up

NZ: Manufacturing PMI, Feb: 53.9 vs. 51.7 prev.  
 NZ: Food prices (m/m%), Feb: -0.5 vs. 1.9 prev.  
 UK: GDP (m/m%), Jan: -0.1 vs. 0.1 exp.  
 UK: Industrial production (m/m%), Jan: -0.9 vs. -0.1 exp.  
 US: U. of Mich. consumer sent., Mar: 57.9 vs. 63.1 exp.  
 US: U. of Mich. 5-10y inflation exps., Mar: 3.9 vs. 3.4 exp.

## Good morning

Investor risk appetite recovered into the end of last week. After the S&P had previously entered a correction, following the 10% fall from its February peak, the index rebounded strongly and closed the session 2% higher. The announcement of a deal by German politicians to proceed with a massive fiscal expansion supported European stocks. Chinese equities also advanced, led by consumer shares. Policy makers have outlined steps to boost consumption. US treasury yields moved higher while the US dollar was broadly weaker against G10 currencies.

Germany's chancellor-to-be Friedrich Merz has reached a deal with the Green party to proceed with on a debt funded spending package for infrastructure and the military. The agreement will proceed to a vote in parliament this week. The euro gained and bund yields moved sharply higher initially. 10-year yields, reached an intra-day high of 2.94%, matching the recent peak, before retracing to close at 2.88%.

US consumer sentiment fell to a preliminary reading of 57.9, well below consensus estimates. It was the third consecutive monthly drop and the lowest reading since November 2022. Economic policy uncertainty and the pullback in equity indices have undermined confidence amongst consumers. There was a large fall in the expectations component, which has a closer relationship with spending, than the headline index.

Within the report, consumers' inflation expectations increased sharply, reflecting the implementation of tariffs, and with the likelihood of more to come. There was a further rise in the five-to-ten-year inflation expectations which increased to 3.9% from 3.5%, the highest level since February 1993. Recent data has pointed to a slowdown in activity, but Fed policymakers may be reluctant to ease

monetary policy while tariffs are contributing to a rise in inflation expectations.

Accordingly, the market pared expectations for Fed rate cuts. There is now 65bp of easing priced by the December FOMC. This compares with 72bp ahead of the data and a peak last week, amid weak risk sentiment, of 90bp of easing by year end. US treasury yields moved higher across the curve with a modest flattening bias. 10-year yields closed at 4.31%, 4bp higher.

In currency markets, the US dollar was broadly weaker against G10 currencies. The euro was supported by the fiscal developments in Germany while the positive risk tone underpinned growth sensitive currencies like the NZD and AUD. NZD/USD traded steadily higher, and back towards the top end of the range during March, in the 0.5750/60 region. The NZD made gains on all the major cross rates.

Gold prices traded above US\$3000 per troy ounce for the first time and extended gains over the past twelve months to nearly 40%. The move higher has been underpinned by ongoing central bank buying to diversify reserves and safe haven flows given the uncertain macro backdrop.

The manufacturing PMI in NZ advanced further into expansionary territory in February supporting expectations that the economic recovery is taking hold. At 53.9, the index is above its long term mean and all the sub-index values were in expansion territory.

Inflation partials for February were marginally higher than our baseline assumptions as fuel prices didn't retrace as much as we had expected. This could be a timing issue and suggests modest upside risks to our 2.3% forecast for Q1 annual headline CPI. This compares with the RBNZ's 2.4% projection from the February Monetary Policy Statement.

NZ swap rates edged higher in the local session on Friday. 2-year swap rates closed 2bp higher at 3.48% with the curve marginally flatter. The 2y10y curve traded below 70bp having reached a cyclical peak of 76bp during last week. There was limited activity in the government bond market. 10-year bonds were unchanged at 4.66%.

Australian 10-year government bond futures are 3bp higher in yield terms since the local close on Friday,

suggesting a modest upward bias, for NZ yields on the open.

The services sector PMI is the only domestic data of note today. The index edged above 50 in January. China releases monthly activity data covering industrial production and retail sales. Retail sales data is also scheduled the US and are expected to rebound after the very weak January print.

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### Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance Services Index	Feb	50.4	10:30	
CH	Industrial product. (YTD, y/y%)	Feb	5.3	5.8	15:00
CH	Retail sales (YTD, y/y%)	Feb	3.8	3.5	15:00
CH	Fixed assets invest. (YTD, y/y%)	Feb	3.2	3.2	15:00
US	Empire Manufacturing	Mar	-2	5.7	1:30
US	Retail Sales Advance (m/m%)	Feb	0.7	-0.9	1:30
US	Retail Sales Ex Auto and Gas	Feb	0.5	-0.5	1:30
US	Retail Sales Control Group	Feb	0.3	-0.8	1:30
US	NAHB Housing Market Index	Mar	42	42	3:00

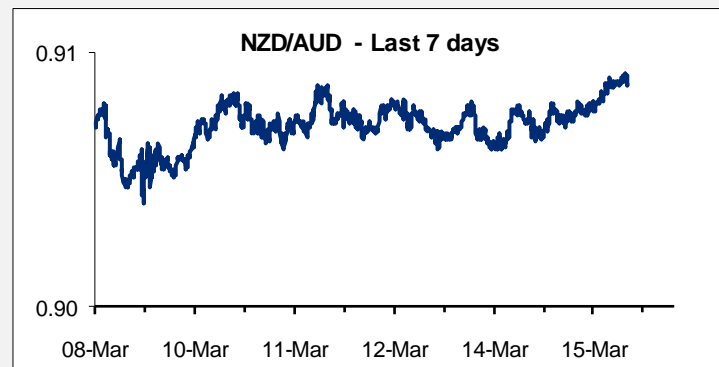
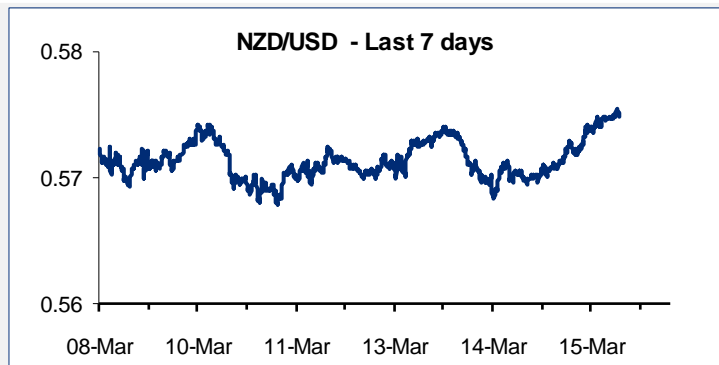
Source: Bloomberg, BNZ

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			
NZD	0.5749	+0.9	0.5712	0.5751	CHF	0.8851	+0.3	S&P 500	5,639	+2.1	9.5	Oil (Brent)	70.61	+1.0
AUD	0.6327	+0.6	0.6294	0.6328	SEK	10.139	-0.6	Dow	41,488	+1.7	6.6	Oil (WTI)	67.18	+0.9
EUR	1.0881	+0.2	1.0831	1.0912	NOK	10.654	-0.2	Nasdaq	17,754	+2.6	10.1	Gold	3001.1	+0.3
GBP	1.2937	-0.1	1.2911	1.2954	HKD	7.773	+0.0	Stoxx 50	5,404	+1.4	8.2	HRC steel	939.0	-0.1
JPY	148.64	+0.6	148.26	149.02	CNY	7.237	-0.1	FTSE	8,632	+1.1	11.5	CRB	302.7	-0.1
CAD	1.4366	-0.5			SGD	1.334	-0.1	DAX	22,987	+1.9	28.1	Wheat Chic.	557.0	-1.0
NZD/AUD	0.9086	+0.2			IDR	16,350	-0.5	CAC 40	8,028	+1.1	-1.6	Sugar	19.19	-0.3
NZD/EUR	0.5284	+0.6			THB	33.64	-0.2	Nikkei	37,053	+0.7	-4.3	Cotton	67.37	+1.3
NZD/GBP	0.4444	+1.0			KRW	1,452	-0.1	Shanghai	3,420	+1.8	11.9	Coffee	377.2	-2.2
NZD/JPY	85.45	+1.5			TWD	32.98	+0.0	ASX 200	7,790	+0.5	1.6	WM powder	3935	+0.0
NZD/CAD	0.8259	+0.4			PHP	57.25	-0.2	NZX 50	12,266	+0.5	4.2	<b>Australian Futures</b>		
NZ TWI	68.02	+0.7						VIX Index	21.77	-11.7	+51.2	3 year bond	96.22	0.00
<b>Interest Rates</b>						<b>NZ Government Bonds</b>				<b>NZ BKBM and Swap Yields</b>				
<b>Rates</b>		<b>Swap Yields</b>			<b>Benchmark 10 Yr Bonds</b>		<b>Last</b>		<b>Chg</b>	<b>Last</b>			<b>Chg</b>	
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day				Last	Chg		
USD	4.50	4.85	3.85	3.90	USD	4.31	0.04	15-Apr-27	3.64	0.02	BKBM 1-mth	3.84	-0.00	
AUD	4.10	4.12	3.70	4.37	AUD	4.42	0.00	15-May-28	3.82	0.02	BKBM 3-mth	3.69	-0.00	
NZD	3.75	3.69	3.48	4.17	NZD	4.66	0.00	20-Apr-29	3.94	0.01	1 year	3.41	0.02	
EUR	2.50	2.50	2.31	2.75	GER	2.88	0.02	15-May-30	4.09	0.01	2 year	3.48	0.02	
GBP	4.50		4.05	4.14	GBP	4.67	-0.01	15-May-31	4.26	0.00	3 year	3.57	0.03	
JPY	0.48	-0.03	0.83	1.33	JPY	1.52	-0.03	15-May-32	4.38	0.00	5 year	3.75	0.02	
CAD	2.75	4.97	2.42	2.79	CAD	3.07	0.02	14-Apr-33	4.49	0.00	7 year	3.94	0.02	
						<b>NZ Inflation-Indexed Bonds</b>		15-May-34	4.58	0.00	10 year	4.17	0.01	
						Sep-30	2.24	-0.02	15-May-35	4.66	0.00	15 year	4.41	0.00
						Sep-35	2.73	-0.01	15-May-36	4.75	0.00			
						Sep-40	3.02	0.00	15-May-37	4.86	0.01			
									15-May-41	5.07	0.01			
									15-May-51	5.23	0.01			
									15-May-54	5.24	0.01			

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates at NY close  
 Source: Bloomberg

**NZD exchange rates**

15/03/2025	NY close	Prev. NY close
USD	0.5749	0.5698
GBP	0.4444	0.4399
AUD	0.9086	0.9066
EUR	0.5284	0.5251
JPY	85.45	84.22
CAD	0.8259	0.8227
CHF	0.5088	0.5028
DKK	3.9427	3.9170
FJD	1.3202	1.3223
HKD	4.4677	4.4285
INR	50.01	49.69
NOK	6.1237	6.0851
PKR	160.73	159.57
PHP	32.91	32.69
PGK	2.3423	2.2994
SEK	5.8280	5.8105
SGD	0.7669	0.7612
CNY	4.1601	4.1272
THB	19.35	19.24
TOP	1.3653	1.3599
VUV	70.88	70.31
WST	1.6150	1.5887
XPF	63.02	62.57
ZAR	10.4596	10.4447



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	3.71	4.19
3 Months	11.02	12.01
6 Months	24.00	25.00
9 Months	33.40	37.47
1 Year	42.51	45.99

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	3.43	4.31
3 Months	10.84	12.75
6 Months	24.73	27.51
9 Months	33.20	41.50
1 Year	42.50	51.25

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