

# Research Markets Today

18 February 2025

## Events Round-Up

NZ: Performance of services index, Jan: 50.4 vs. 48.1 prev.

JP: GDP (q/q%), Q4: 0.7 vs. 0.3 exp.

## Good Morning

Markets are quiet and newsflow is limited, with US markets closed for the President Day's holiday.

Following moves by the White House to negotiate with Russia to end the Ukraine war and VP Vance's forthright speech to European leaders over the weekend that signals less US involvement in European defence, EU leaders are convening in an emergency meeting to discuss the Ukraine war and ways to boost European defence spending. The Euro Stoxx 600 index rose 0.5% to a fresh record high, with strong gains in defence stocks. S&P500 futures are flat.

European gas prices continue to tumble off a high base, with the front contract now down some 18% in a week, as the market anticipates an eventual end to the war and more Russian gas entering the supply chain.

The prospect of more European defence spending has pushed up European bond yields, with 10-year rates up in the order of 3-6bps across the region. US Treasury futures are down slightly from last week's close.

In other news, sentiment on China is more positive after President Xi met with leaders of the IT industry, including Jack Ma. This was seen as a strong signal that his crackdown on the tech sector is over and with forthcoming pro-business policies to help revive the economy. Xi promised to abolish unreasonable fees or fines against private firms and level the competitive playing field, a signal that private companies will have a fairer chance against state-dominated companies.

Currency movements have been small. The NZD managed to rise to a fresh high for the year of 0.5750 in afternoon trading yesterday, but the move wasn't sustained, and it has been hovering around 0.5735 overnight. The AUD has also been probing 2025 highs, and it currently sits at 0.6365. NZD/AUD is relatively steady at 0.9015.

The yen is the strongest of the majors, finding some support after Japan's GDP rose 0.7% q/q in Q4, well ahead of market expectations, driven by increased business

investment and net exports. Consumer spending slowed to 0.1% q/q, although it was stronger than the 0.3% contraction expected. Japan's 10-year rate rose 3bps to 1.395%, its highest level in 15-years and USD/JPY is down 0.6% from last week's close to 151.45. NZD/JPY has slipped back below 87.

Yesterday's positive move in EUR, which saw it regain the 1.05 handle, wasn't sustained and it is down slightly at 1.0480. GBP has sustained a move above 1.26. NZD/GBP is flat at 0.4550 and NZD/EUR is up slightly to 0.5475.

The domestic rates market didn't follow the rally in US Treasuries on Friday night and was more in tune to the sell-off in the Australian market, resulting in a sharp lift in NZ-US rate spreads. NZGB yields rose 2-3bps across the curve while swaps rates were up 3-4bps. On the economic front it was good to see the performance of services index rise to an 11-month high of 50.4 in January, following the sharp lift in the PMI and ANZ's truckometer series – these January indicators convey some increased economic activity at the beginning of 2025 after the economic slump last year.

In the day ahead there will be much interest in the RBA's rate decision, where a 25bps is well priced by the market – the first easing for Australia in the cycle – but there is an outside chance of the Bank leaving rates unchanged. Forward guidance will also be important, given that the market is pricing at least three rate cuts this year.

Tonight sees the release of UK labour market data and Canada's CPI.

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## Coming Up

|    |                                 | Period | Cons. | Prev. | NZT   |
|----|---------------------------------|--------|-------|-------|-------|
| AU | RBA Cash Rate Target            | Feb    | 4.1   | 4.35  | 16:30 |
| UK | Wkly earnings x bonus (3m/y%)   | Dec    | 5.9   | 5.6   | 20:00 |
| UK | Unemployment rate (%)           | Dec    | 4.5   | 4.4   | 20:00 |
| CA | CPI (y/y%)                      | Jan    | 1.9   | 1.8   | 02:30 |
| CA | CPI core (avg median/trim y/y%) | Jan    | 2.55  | 2.45  | 02:30 |
| US | NAHB housing market index       | Feb    | 46    | 47    | 04:00 |

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                   | 0.5738                          | +0.2  | 0.5728      | 0.5742 | CHF                        | 0.9006  | +0.1                | S&P 500       | 6,115                   | -0.0 | 22.2         | Oil (Brent)                      | 75.12  | +0.5  |       |
| AUD                   | 0.6364                          | +0.2  | 0.6357      | 0.6373 | SEK                        | 10.698  | +0.1                | Dow           | 44,546                  | -0.4 | 15.3         | Oil (WTI)                        | 71.22  | +0.7  |       |
| EUR                   | 1.0482                          | -0.1  | 1.0467      | 1.0495 | NOK                        | 11.105  | -0.2                | Nasdaq        | 20,027                  | +0.4 | 26.9         | Gold                             | 2895.6 | +0.4  |       |
| GBP                   | 1.2623                          | +0.3  | 1.2584      | 1.2625 | HKD                        | 7.781   | -0.0                | Stoxx 50      | 5,520                   | +0.5 | 15.8         | HRC steel                        | 768.0  | +0.0  |       |
| JPY                   | 151.43                          | -0.6  | 151.34      | 151.94 | CNY                        | 7.264   | +0.1                | FTSE          | 8,768                   | +0.4 | 13.7         | CRB                              | 312.1  | -0.4  |       |
| CAD                   | 1.4186                          | +0.0  |             |        | SGD                        | 1.341   | +0.1                | DAX           | 22,798                  | +1.3 | 33.2         | Wheat Chic.                      | 613.5  | +3.6  |       |
| NZD/AUD               | 0.9016                          | -0.0  |             |        | IDR                        | 16,228  | -0.1                | CAC 40        | 8,189                   | +0.1 | 5.4          | Sugar                            | 20.42  | +1.2  |       |
| NZD/EUR               | 0.5474                          | +0.1  |             |        | THB                        | 33.71   | -0.1                | Nikkei        | 39,174                  | +0.1 | 1.8          | Cotton                           | 67.11  | +0.4  |       |
| NZD/GBP               | 0.4546                          | -0.1  |             |        | KRW                        | 1,442   | +0.1                | Shanghai      | 3,356                   | +0.3 | 17.1         | Coffee                           | 407.4  | -4.2  |       |
| NZD/JPY               | 86.89                           | -0.5  |             |        | TWD                        | 32.72   | +0.0                | ASX 200       | 8,537                   | -0.2 | 11.5         | WM powder                        | 4090   | -0.2  |       |
| NZD/CAD               | 0.8140                          | +0.2  |             |        | PHP                        | 58.02   | +0.3                | NZX 50        | 13,069                  | +0.6 | 11.5         | <b>Australian Futures</b>        |        |       |       |
| NZ TWI                | 68.24                           | +0.2  |             |        |                            |         |                     | VIX Index     | 15.37                   | +4.1 | +7.9         | 3 year bond                      | 96.13  | -0.04 |       |
| <b>Interest Rates</b> |                                 |       |             |        |                            |         |                     |               |                         |      | 10 year bond |                                  |        | 95.52 | -0.05 |
|                       | 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  | 4.11        | 4.08   | USD                        | 4.48    | 0.00                | 15-Apr-27     | 3.68                    | 0.02 | BKBM 1-mth   | 3.93                             | -0.05  |       |       |
| AUD                   | 4.35                            | 4.17  | 3.84        | 4.47   | AUD                        | 4.45    | 0.04                | 15-May-28     | 3.85                    | 0.02 | BKBM 3-mth   | 3.81                             | -0.01  |       |       |
| NZD                   | 4.25                            | 3.81  | 3.54        | 4.18   | NZD                        | 4.64    | 0.03                | 20-Apr-29     | 3.98                    | 0.02 | 1 year       | 3.51                             | 0.01   |       |       |
| EUR                   | 2.75                            | 2.52  | 2.27        | 2.43   | GER                        | 2.49    | 0.06                | 15-May-30     | 4.12                    | 0.03 | 2 year       | 3.54                             | 0.04   |       |       |
| GBP                   | 4.50                            | 5.30  | 4.05        | 4.05   | GBP                        | 4.53    | 0.03                | 15-May-31     | 4.26                    | 0.03 | 3 year       | 3.62                             | 0.04   |       |       |
| JPY                   | 0.48                            | -0.03 | 0.84        | 1.30   | JPY                        | 1.40    | 0.03                | 15-May-32     | 4.39                    | 0.03 | 5 year       | 3.79                             | 0.03   |       |       |
| CAD                   | 3.00                            | 4.97  | 2.61        | 2.89   | CAD                        | 3.11    | -0.01               | 14-Apr-33     | 4.47                    | 0.03 | 7 year       | 3.97                             | 0.03   |       |       |
|                       |                                 |       |             |        | NZ Inflation-Indexed Bonds |         | 15-May-34           |               | 4.55                    | 0.03 | 10 year      | 4.18                             | 0.03   |       |       |
|                       |                                 |       |             |        | Sep-30                     |         | 2.34                | 0.01          | 15-May-35               | 4.64 | 0.03         | 15 year                          | 4.43   | 0.03  |       |
|                       |                                 |       |             |        | Sep-35                     |         | 2.84                | 0.01          | 15-May-36               | 4.72 | 0.03         |                                  |        |       |       |
|                       |                                 |       |             |        | Sep-40                     |         | 3.12                | 0.01          | 15-May-37               | 4.82 | 0.03         |                                  |        |       |       |
|                       |                                 |       |             |        |                            |         |                     |               | 15-May-41               | 5.01 | 0.03         |                                  |        |       |       |
|                       |                                 |       |             |        |                            |         |                     |               | 15-May-51               | 5.17 | 0.03         |                                  |        |       |       |
|                       |                                 |       |             |        |                            |         |                     |               | 15-May-54               | 5.17 | 0.03         |                                  |        |       |       |

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 06:53  
 Source: Bloomberg

**NZD exchange rates**

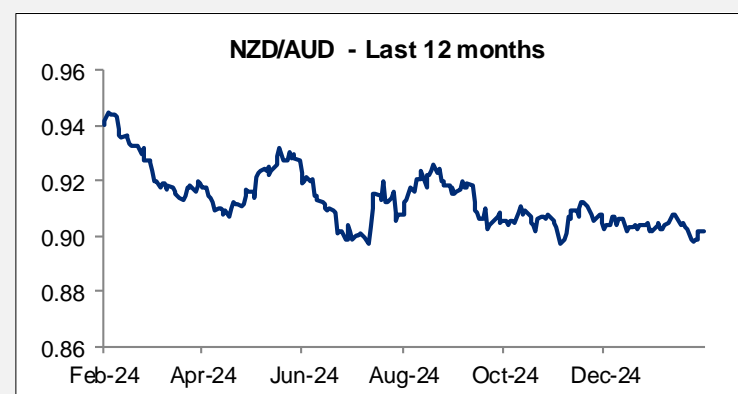
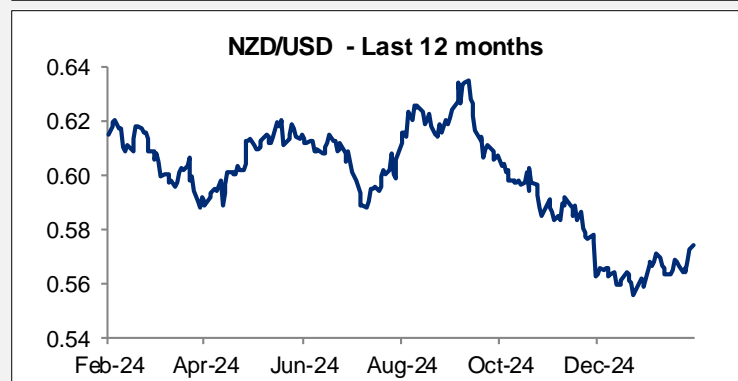
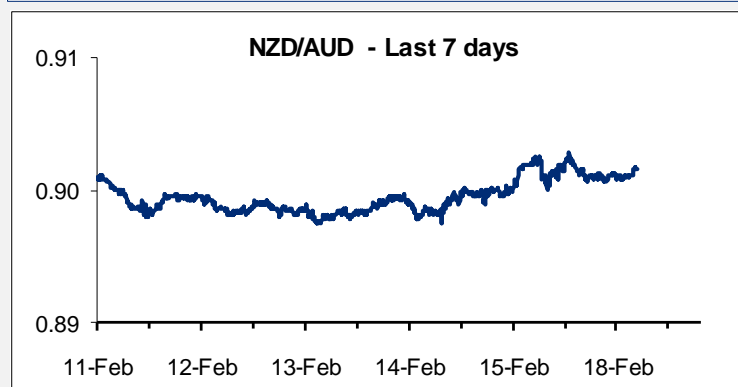
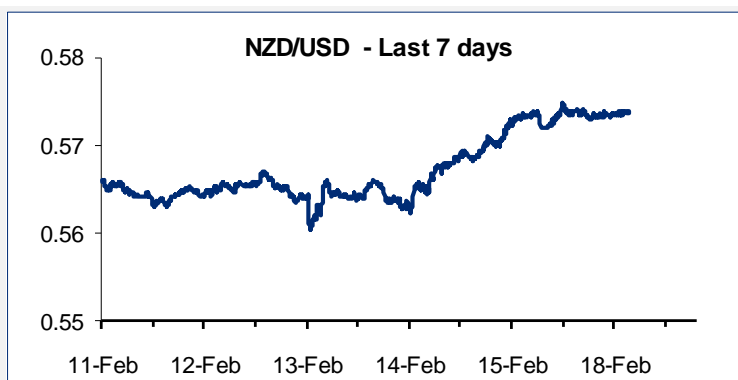
| 18/02/2025 | 6:53 am | Prev. NY close |
|------------|---------|----------------|
| USD        | 0.5738  | 0.5725         |
| GBP        | 0.4546  | 0.4549         |
| AUD        | 0.9016  | 0.9013         |
| EUR        | 0.5474  | 0.5457         |
| JPY        | 86.89   | 87.20          |
| CAD        | 0.8140  | 0.8119         |
| CHF        | 0.5168  | 0.5151         |
| DKK        | 4.0830  | 4.0712         |
| FJD        | 1.3270  | 1.3265         |
| HKD        | 4.4645  | 4.4565         |
| INR        | 49.85   | 49.71          |
| NOK        | 6.3722  | 6.3676         |
| PKR        | 160.21  | 159.87         |
| PHP        | 33.29   | 33.11          |
| PGK        | 2.3063  | 2.3001         |
| SEK        | 6.1386  | 6.1215         |
| SGD        | 0.7696  | 0.7668         |
| CNY        | 4.1683  | 4.1547         |
| THB        | 19.34   | 19.25          |
| TOP        | 1.3565  | 1.3566         |
| VUV        | 70.92   | 71.05          |
| WST        | 1.5978  | 1.5999         |
| XPF        | 65.75   | 65.57          |
| ZAR        | 10.5560 | 10.5268        |

**NZD/USD Forward Points**

|          | BNZ buys NZD | BNZ sells NZD |
|----------|--------------|---------------|
| 1 Month  | 2.45         | 2.84          |
| 3 Months | 9.76         | 10.83         |
| 6 Months | 23.37        | 24.66         |
| 9 Months | 36.69        | 39.87         |
| 1 Year   | 49.07        | 52.07         |

**NZD/AUD Forward Points**

|          | BNZ buys NZD | BNZ sells NZD |
|----------|--------------|---------------|
| 1 Month  | 2.20         | 3.02          |
| 3 Months | 9.65         | 11.85         |
| 6 Months | 22.70        | 26.12         |
| 9 Months | 34.79        | 42.44         |
| 1 Year   | 46.45        | 55.78         |



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