

Research Markets Today

18 March 2025

Events Round-Up

NZ: Performance Services Index, Feb: 49.1 vs. 50.4 prev.
 CH: Industrial product. (YTD, y/y%), Feb: 5.9 vs. 5.3 exp.
 CH: Retail sales (YTD, y/y%), Feb: 4.0 vs. 3.8 exp.
 CH: Fixed assets invest. (YTD, y/y%), Feb: 4.1 vs. 3.2 exp.
 US: Empire manufacturing, Mar: -20 vs. -2 exp.
 US: Retail sales (m/m%), Feb: 0.2 vs. 0.7 exp.
 US: Retail sales ex auto, gas, Feb: 0.5 vs. 0.4 exp.
 US: Retail sales control group, Feb: 1.0 vs. 0.4 exp.
 US: NAHB housing market index, Mar: 39 vs. 42 exp.

Good Morning

Global equity markets are on a positive footing to start the week, following on from the strong recovery in US markets on Friday. The S&P500 is up 0.6% in early afternoon trading, with the IT sector a laggard. The Euro Stoxx 600 index rose 0.8%.

President Trump will speak with President Putin on Tuesday, with Trump saying “a lot of work” had been done over the weekend ahead of the planned conversation. Putin has so far pushed back against the US-brokered plan for an immediate ceasefire in the Ukraine-Russia war.

US retail sales figures were mixed, with growth of 0.2% m/m in February and downward revisions to January, much weaker than expected, driven down by weaker auto sales. But excluding autos and gas, sales rose 0.5% and the control group measure, which feeds into GDP calculations, was even stronger at 1.0% m/m. The data continue to suggest a step down in consumer spending in Q1 but should also reduce fears that the economy was on the verge of economic recession.

US Treasury yields rose to their daily highs after the data were released, with the market focusing more on the stronger control group sales, but the move wasn't sustained and yields subsequently tracked lower. The 10-year rate has traded a 4.26-4.33% range and currently sits at 4.28%, down 3bps from last week's close. The curve has flattened, with the 2-year rate up 2bps to 4.03%. Traders reported some spillover from a 6bps fall in Germany's 10-year rate, driven by some short covering following the significant lift in yields, driven by much easier fiscal policy ahead.

Second-tier US economic indicators were weaker than expected, with the NAHB housing market index down 3pts to 39 in March, reflecting weaker confidence amongst builders. The volatile Empire manufacturing survey, which measures sentiment of manufacturers in NY, slumped from +5.7 to minus 20.0 in March, alongside higher readings for prices received and prices paid.

The OECD cut its global growth forecasts to 3.1% in 2025 and 3.0% in 2026, down 0.2-0.3 percentage points, citing higher trade barriers and increased policy uncertainty weighing on investment and household spending and these – alongside the high level of geopolitical uncertainty – bringing substantial risks to the baseline projections. Inflationary pressures persist in many economies, and the OECD projected higher than previously expected inflation over 2025-26. Underlying inflation is now projected to remain above central bank targets in many countries in 2026.

Key China activity data for the first two months of the year were stronger than consensus, supported by fiscal stimulus, with the pick-up in retail sales to 4.0% y/y pleasing to see. On Sunday, the government released a 30-point plan to boost domestic consumption described as the “most comprehensive” since the 1970s. However, the details provided at a briefing yesterday remained scant, although there was some recognition that the government needed to boost demand, a change from the usual focus on supply side measures.

In currency markets, the USD is broadly weaker, with dollar indices down 0.3% from last week's close but, of note, the NZD has strongly outperformed, followed by the AUD, with notable gains from the European open. It isn't clear why, but a delayed reaction to the more positive vibes out of China could be one reason, while the lack of any headlines on tariffs can also be considered a win. We previously saw 0.58 as the initial level of resistance for the NZD, but the currency has blasted up through that to 0.5820, up 1.3% from last week's close and at its highest level this year. The AUD has risen to 0.6385, shy of the 0.64 handle it reached during February. NZD/AUD is also at its highest level this year, trading above 0.9120 overnight. We are cautious about further possible gains in the NZD, ahead of reciprocal tariff announcements due early April.

With more modest 0.3-0.4% gains for EUR and GBP, NZD crosses against them are up to 0.5330 and 0.4480

respectively. JPY has been a laggard, with USD/JPY up modestly to 149, seeing NZD/JPY up 1.5% to 86.7.

In the domestic rates market yesterday, yields were higher, with rates up 2-4bps across the NZGB and swaps curves and some underperformance on a cross-market basis. The 2-year swap rate rose 2bps to 3.50%, the 5-year rate was up 4bps to 3.78% and the 10-year rate rose 3bps to 4.19%. NZ's performance of services index fell 1.3pts to 49.1 in February, back into contractionary territory after poking its head above 50 in January. In terms of the recovery story, this takes some of the gloss off, hot on the heels of the stronger PMI released on Friday – a timely reminder that although the economy is turning, recovery is unlikely to be uniform nor occur in a straight line.

On the economic calendar, tonight sees the release of Canadian CPI data and US housing starts, building permits and industrial production.

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Coming Up

	Period	Cons.	Prev.	NZT
CA CPI (y/y%)	Feb	2.2	1.9	1:30
CA CPI core (avg trim, med y/y%)	Feb	2.75	2.7	1:30
US Building permits (k)	Feb	1450	1473	1:30
US Housing starts (k)	Feb	1381	1366	1:30
US Industrial production (m/m%)	Feb	0.2	0.5	2:15

Source: Bloomberg, BNZ

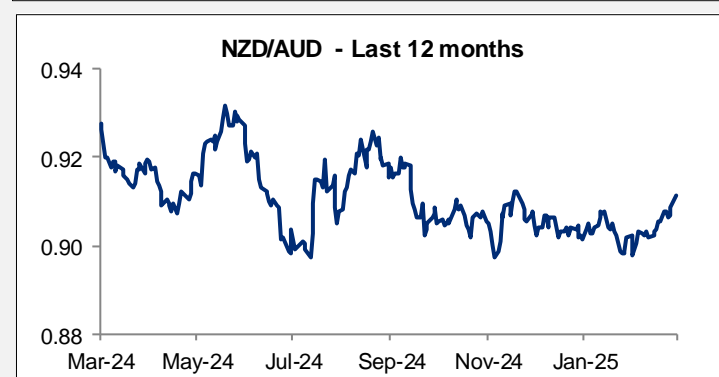
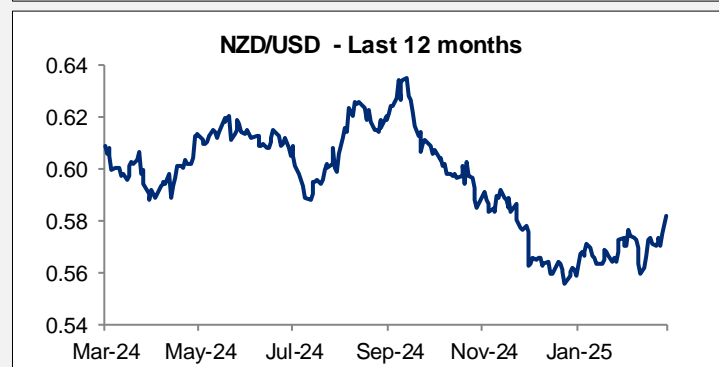
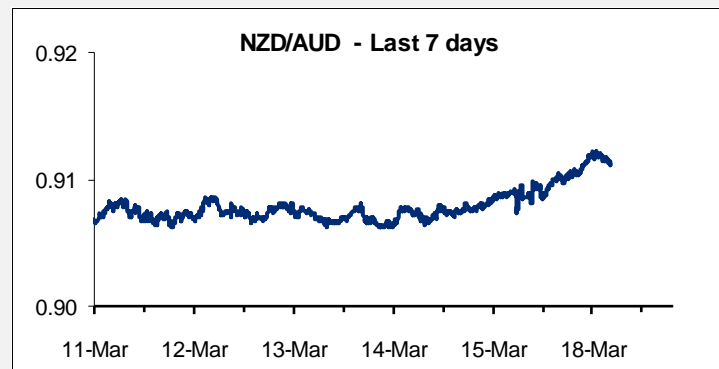
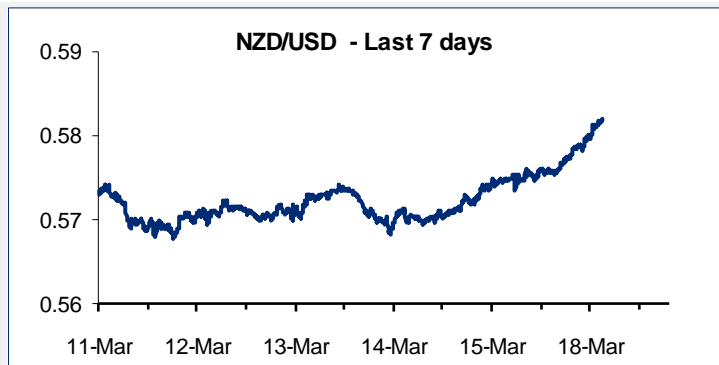
Currencies						Equities						Commodities		
FX Majors	Indicative overnight ranges (*)				Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.5820	+1.3	0.5757	0.5822	CHF	0.8808	-0.5	S&P 500	5,676	+0.7	10.9	Oil (Brent)	71.16	+0.8
AUD	0.6386	+1.0	0.6326	0.6388	SEK	10.095	-0.4	Dow	41,883	+1.0	8.2	Oil (WTI)	67.64	+0.7
EUR	1.0913	+0.3	1.0869	1.0930	NOK	10.539	-1.1	Nasdaq	17,806	+0.3	11.5	Gold	3007.5	+0.2
GBP	1.2992	+0.4	1.2928	1.2995	HKD	7.770	-0.0	Stoxx 50	5,446	+0.8	9.2	HRC steel	940.0	+0.1
JPY	148.98	+0.2	148.31	149.10	CNY	7.226	-0.2	FTSE	8,680	+0.6	12.3	CRB	302.7	-0.1
CAD	1.4284	-0.6			SGD	1.330	-0.3	DAX	23,155	+0.7	29.1	Wheat Chic.	585.5	+2.2
NZD/AUD	0.9114	+0.3			IDR	16,406	+0.3	CAC 40	8,074	+0.6	-1.1	Sugar	19.97	+3.9
NZD/EUR	0.5333	+0.9			THB	33.59	-0.1	Nikkei	37,397	+0.9	-5.9	Cotton	66.98	-0.6
NZD/GBP	0.4480	+0.8			KRW	1,444	-0.6	Shanghai	3,426	+0.2	11.1	Coffee	383.4	+1.7
NZD/JPY	86.71	+1.5			TWD	33.02	+0.1	ASX 200	7,854	+0.8	2.3	WM powder	3910	-0.6
NZD/CAD	0.8313	+0.7			PHP	57.30	+0.1	NZX 50	12,166	-0.8	3.7	Australian Futures		
NZ TWI	68.70	+1.0						VIX Index	20.49	-5.9	+42.2	3 year bond	96.25	0.00
												10 year bond	95.57	0.04
Interest Rates						NZ Government Bonds						NZ BKBM and Swap Yields		
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	3.87	3.88	USD	4.29	-0.03	15-Apr-27	3.67	0.04	BKBM 1-mth	3.81	-0.02	
AUD	4.10	4.11	3.69	4.34	AUD	4.41	-0.01	15-May-28	3.85	0.04	BKBM 3-mth	3.66	-0.02	
NZD	3.75	3.66	3.50	4.19	NZD	4.69	0.03	20-Apr-29	3.97	0.03	1 year	3.42	0.01	
EUR	2.50	2.48	2.31	2.71	GER	2.82	-0.06	15-May-30	4.13	0.04	2 year	3.50	0.02	
GBP	4.50	4.74	4.06	4.12	GBP	4.64	-0.03	15-May-31	4.29	0.03	3 year	3.60	0.03	
JPY	0.48	-0.03	0.81	1.33	JPY	1.51	-0.00	15-May-32	4.42	0.03	5 year	3.78	0.04	
CAD	2.75	4.97	2.39	2.73	CAD	2.99	-0.07	14-Apr-33	4.52	0.03	7 year	3.97	0.03	
								15-May-34	4.60	0.02	10 year	4.19	0.03	
								15-May-35	4.69	0.03	15 year	4.44	0.02	
								15-May-36	4.78	0.03	NZ Inflation-Indexed Bonds			
								15-May-37	4.89	0.03	Sep-30	2.27	0.03	
								15-May-41	5.10	0.02	Sep-35	2.75	0.02	
								15-May-51	5.26	0.03	Sep-40	3.04	0.02	
								15-May-54	5.27	0.03				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:59

Source: Bloomberg

NZD exchange rates

18/03/2025	6:59 am	Prev. NY close
USD	0.5820	0.5748
GBP	0.4480	0.4444
AUD	0.9114	0.9089
EUR	0.5333	0.5284
JPY	86.71	85.44
CAD	0.8313	0.8258
CHF	0.5126	0.5088
DKK	3.9788	3.9427
FJD	1.3395	1.3202
HKD	4.5222	4.4677
INR	50.52	50.01
NOK	6.1339	6.1237
PKR	163.02	160.97
PHP	33.35	32.91
PGK	2.3649	2.3423
SEK	5.8750	5.8280
SGD	0.7742	0.7669
CNY	4.2057	4.1601
THB	19.56	19.35
TOP	1.3814	1.3653
VUV	71.75	70.88
WST	1.6079	1.6150
XPF	63.72	63.02
ZAR	10.5254	10.4596



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	3.67	4.04
3 Months	12.14	12.57
6 Months	24.70	25.70
9 Months	35.62	37.62
1 Year	44.10	47.10

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	3.31	4.08
3 Months	11.95	13.06
6 Months	24.62	27.33
9 Months	34.58	39.48
1 Year	42.06	49.68

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