

Research Markets Today

19 February 2025

Events Round-Up

AU: RBA cash rate target (%), Feb: 4.1 vs. 4.1 exp.

UK: Wkly earnings x bonus (3m/y%), Dec: 5.9 vs. 5.9 exp.

UK: Unemployment rate (%), Dec: 4.4 vs. 4.5 exp.

CA: CPI (y/y%), Jan: 1.9 vs. 1.9 exp.

CA: CPI core (avg median/trim y/y%), Jan: 2.7 vs. 2.55 exp.

US: NAHB housing market index, Feb: 42 vs. 46 exp.

Good Morning

Market movements have been modest, with global rates slightly higher and the USD modestly stronger. The NZD has been the weakest of the majors over the past 24 hours, in the lead-up to today's RBNZ Monetary Policy Statement. US equities are relatively flat, while the Euro Stoxx 600 index rose 0.3% to yet another record high.

The first high level talks between the US and Russia in years have ended, with the White House saying there was agreement to appoint high-level teams to work together to try to end the war in Ukraine "as soon as possible" and embassy staff between the countries would be restored. However, there was no announcement on when Presidents Trump and Putin would meet. European leaders are still annoyed they have been left out of the talks.

In economic news, the US NAHB homebuilder sentiment index fell 5pts to a five-month low of 42, well below expected, with a particularly large 13pts fall in the expectations index for sales six months head. The head of the NAHB cited policy uncertainty and cost factors for the weaker result. The cost factors reflected uncertainty over the scale and scope for tariffs, with the Chief Economist noting over 30% of appliances and softwood lumber was imported.

UK wages growth was close to market expectations, with average weekly earnings excluding bonuses rising 5.9% y/y in the three months ending December, an eight-month high. The employment indicators were stronger than expected and the unemployment rate was steady at 4.4%. The figures reinforce the BoE's cautious approach to cutting rates, although Governor Bailey played down the pickup in wage inflation, speaking at an event overnight. Market reaction to the data was modest and a positive move in GBP faded and net movements have been small.

Canadian CPI inflation in January ticked up to 1.9% y/y, as expected, but the average of the two core measures the Bank of Canada closely monitors rose 15bps to 2.7% y/y. This saw the market pare back easing expectations ahead, with the next full 25bps cut now not priced until June. Whether or not the threatened 25% tariff rate goes ahead from early next month also overhangs the policy outlook. There was little net reaction in the CAD to the data.

Global rates are a little higher, with US Treasury yields up 3-6bps across the curve although much of that occurred during the NZ trading session after the Treasuries market re-opened in Asia following Monday's holiday. The 10-year rate is up 6bps to 4.53% from Friday's close, but only 1bp higher from yesterday's NZ close.

Yesterday, the RBA kicked off an easing cycle, with a widely anticipated 25bps cut in the cash rate to 4.1%. Market reaction was limited to the extent that the cut was expected to be met with some cautious language about the policy outlook and that message was delivered. Governor Bullock said, "I want to be very clear that today's decision does not imply that further rate cuts along the lines suggested by the markets are coming...the board needs more data and evidence that inflation is continuing to decline before making decisions about the future path of interest rates...the board is very alert to upside risks that could derail the deflationary process".

The market pared the extent of easing priced in the curve, with just under two full further rates cuts now priced for the rest of the year. The 3-year bond future is up 7bps in yield terms since the announcement while the 10-year rate is up 5bps. There was little net movement in the AUD, with some volatility around the announcement soon washed out and it currently sits around 0.6350.

The domestic rates market was quiet ahead of the RBA and the RBNZ decision, with small movements in yields and a curve steepening bias. The modest uplift in Australian rates post-RBA will impart some modest upside pressure on rates when the NZ market opens.

The USD has been broadly stronger over the past 24 hours, although movements in most of the majors has been modest. The NZD has been a clear underperformer, the weakest of the majors ahead of the RBNZ's Monetary Policy Statement today. The NZD has probed just below 0.57 overnight and is down 0.7% from this time yesterday. NZD/AUD has been hovering around 0.8980 since the RBA

press conference. The NZD is weaker on all crosses, with falls in the order of ½%.

In the overnight GDT dairy auction, the price index fell 0.6%, with the consolidation in pricing expected after the strong gain in the early-February auction. Whole milk powder prices fell 0.2% while skim milk powder fell 2.5%.

In the day ahead the domestic focus will be on the RBNZ’s MPS. Back in November, Governor Orr guided the market to a 50bps cut for this meeting and that is exactly what the market has priced. A smaller cut would be a complete shock. Focus will be on the rate track projection and guidance on future meetings. The previous projections were consistent with a slowdown in the pace of easing and a terminal OCR rate of just over 3%. We don’t see the Bank deviating much from this and therefore we aren’t anticipating a significant market reaction.

Ahead of that, Australian wage inflation data will be released and tonight sees UK CPI and US housing starts and permits.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	PPI inputs (q/q%)	Q4	1.9	10:45	
NZ	PPI outputs (q/q%)	Q4	1.5	10:45	
AU	Wage price index (q/q%)	Q4	0.8	0.8	13:30
AU	Wage price index (y/y%)	Q4	3.2	3.5	13:30
NZ	RBNZ Official Cash Rate (%)	Feb	3.75	4.25	14:00
UK	CPI (y/y%)	Jan	2.8	2.5	20:00
UK	CPI core (y/y%)	Jan	3.7	3.2	20:00
UK	CPI services (y/y%)	Jan	5.1	4.4	20:00
US	Housing starts (m/m%)	Jan	-6.8	15.8	02:30
US	Building permits (m/m%)	Jan P	-1.5	-0.7	02:30

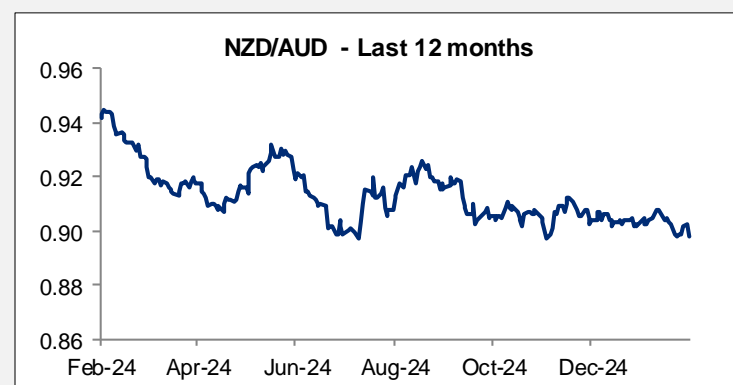
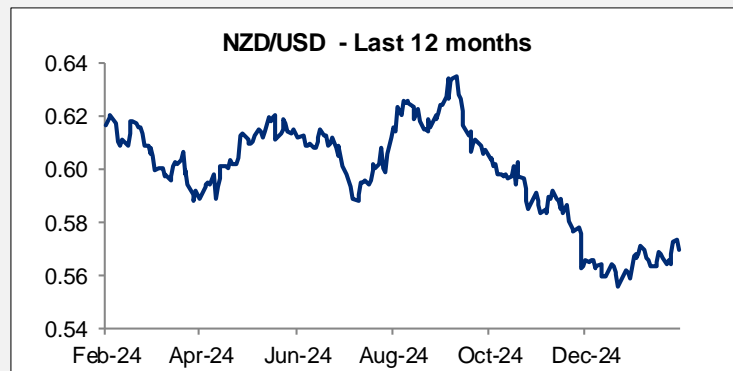
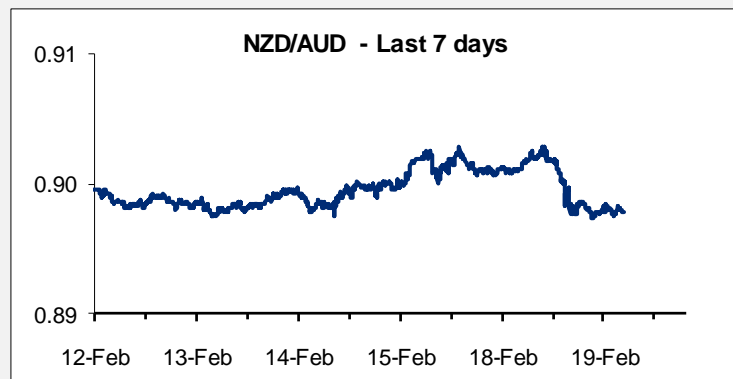
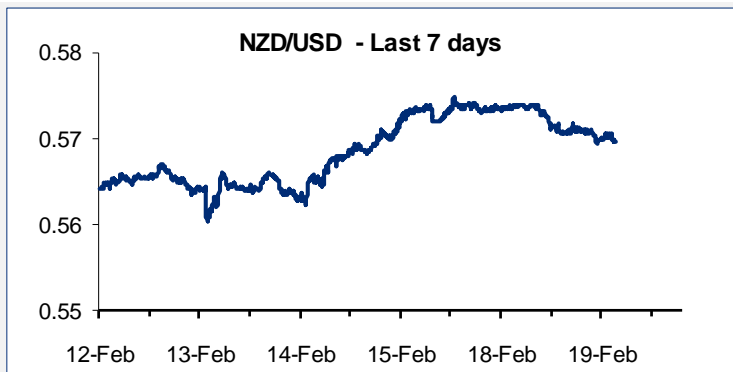
Source: Bloomberg, BNZ

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	0.5697	-0.7	0.5694	0.5720	CHF	0.9035	+0.3	S&P 500	6,119	+0.1	22.2	Oil (Brent)	75.56	+0.4
AUD	0.6345	-0.2	0.6341	0.6365	SEK	10.728	+0.3	Dow	44,492	-0.1	15.2	Oil (WTI)	71.53	+1.1
EUR	1.0441	-0.4	1.0440	1.0469	NOK	11.164	+0.5	Nasdaq	20,014	-0.1	26.9	Gold	2934.0	+1.7
GBP	1.2602	-0.2	1.2583	1.2623	HKD	7.774	-0.1	Stoxx 50	5,534	+0.3	16.1	HRC steel	773.0	+0.7
JPY	151.95	+0.3	151.53	152.10	CNY	7.275	+0.2	FTSE	8,767	-0.0	13.7	CRB	312.1	-0.4
CAD	1.4195	+0.1			SGD	1.343	+0.1	DAX	22,845	+0.2	33.5	Wheat Chic.	617.3	+0.6
NZD/AUD	0.8979	-0.5			IDR	16,278	+0.3	CAC 40	8,207	+0.2	5.6	Sugar	20.49	+0.3
NZD/EUR	0.5456	-0.3			THB	33.64	-0.2	Nikkei	39,270	+0.2	2.1	Cotton	67.80	+1.0
NZD/GBP	0.4521	-0.5			KRW	1,439	-0.1	Shanghai	3,324	-0.9	14.2	Coffee	406.1	-0.4
NZD/JPY	86.57	-0.4			TWD	32.75	+0.1	ASX 200	8,481	-0.7	10.6	WM powder	4040	-1.2
NZD/CAD	0.8087	-0.6			PHP	58.21	+0.3	NZX 50	13,051	-0.1	12.0	Australian Futures		
NZ TWI	67.87	-0.5						VIX Index	15.50	+0.8	+8.8	3 year bond	96.07	-0.06
Interest Rates						Benchmark 10 Yr Bonds			NZ Government Bonds			NZ BKBM and Swap Yields		
	Rates		Swap Yields		Last	Net Day		Last	Chg		Last	Chg		
	Cash	3Mth	2 Yr	10 Yr			15-Apr-27	3.67	-0.02	BKBM 1-mth	3.91	-0.02		
USD	4.50	4.85	4.14	4.14	USD	4.53	0.06	15-May-28	3.84	-0.01	BKBM 3-mth	3.79	-0.02	
AUD	4.35	4.17	3.90	4.51	AUD	4.51	0.05	20-Apr-29	3.97	-0.01	1 year	3.49	-0.02	
NZD	4.25	3.79	3.53	4.21	NZD	4.65	0.01	15-May-30	4.12	-0.00	2 year	3.53	-0.02	
EUR	2.75	2.51	2.27	2.44	GER	2.49	0.00	15-May-31	4.27	0.00	3 year	3.61	-0.01	
GBP	4.50	5.30	4.08	4.07	GBP	4.56	0.03	15-May-32	4.39	0.00	5 year	3.80	0.01	
JPY	0.48	-0.03	0.84	1.32	JPY	1.43	0.04	14-Apr-33	4.48	0.01	7 year	3.99	0.02	
CAD	3.00	4.97	2.67	2.95	CAD	3.18	0.07	15-May-34	4.56	0.01	10 year	4.21	0.03	
								15-May-35	4.65	0.01	15 year	4.46	0.03	
								15-May-36	4.73	0.01				
								15-May-37	4.83	0.01				
								15-May-41	5.03	0.02				
								15-May-51	5.19	0.02				
								15-May-54	5.19	0.02				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:54
 Source: Bloomberg

NZD exchange rates

19/02/2025 6:54 am		Prev. NY close
USD	0.5697	0.5736
GBP	0.4521	0.4543
AUD	0.8979	0.9025
EUR	0.5456	0.5471
JPY	86.57	86.91
CAD	0.8087	0.8136
CHF	0.5147	0.5166
DKK	4.0694	4.0809
FJD	1.3169	1.3265
HKD	4.4290	4.4629
INR	49.53	49.83
NOK	6.3598	6.3693
PKR	159.16	160.16
PHP	33.13	33.28
PGK	2.2907	2.3055
SEK	6.1116	6.1333
SGD	0.7648	0.7695
CNY	4.1449	4.1668
THB	19.19	19.34
TOP	1.3468	1.3605
VUV	70.35	70.90
WST	1.5866	1.5975
XPF	65.41	65.72
ZAR	10.4925	10.5541



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.66	2.80
3 Months	10.25	10.75
6 Months	24.33	25.41
9 Months	38.47	40.56
1 Year	51.98	54.98

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.32	2.78
3 Months	10.27	11.47
6 Months	24.66	27.53
9 Months	38.80	43.99
1 Year	52.78	60.73

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