

Research Markets Today

19 March 2025

Events Round-Up

CA: CPI (y/y%), Feb: 2.6 vs. 2.2 exp.

CA: CPI core (avg trim, med y/y%), Feb: 2.9 vs. 2.75 exp.

US: Building permits (m/m%), Feb: -1.2 vs. -1.4 exp.

US: Housing starts (m/m%), Feb: 11.2 vs. 1.4 exp.

US: Industrial production (m/m%), Feb: 0.7 vs. 0.2 exp.

Good Morning

After two positive days, US equities are back in the red, with the S&P500 down 1% in early afternoon trading, weighed down by the mega techs. US Treasury yields continue to consolidate. The 10-year rate has traded a 4.27-4.33% range and currently sits at the bottom end, down a touch from the NZ close.

President Trump's call with President Putin lasted an hour and a half and the result is a very small step forward on the road to peace. They agreed to an energy and infrastructure ceasefire and to begin negotiations on a maritime ceasefire in the Black Sea, full ceasefire and permanent peace". Putin imposed several conditions for a lasting ceasefire, including suspension of arms and intelligence support for Ukraine. Market reaction was minimal, with expectations low for any substantial move forward.

The WSJ reported discussions by Trump's team on how to impose reciprocal tariffs. They weighed on whether to simplify the complex task of devising new tariff rates for hundreds of US trading partners by instead sorting nations into one of three tariff tiers, but that has been ruled out in favour of an individualised approach. That seems impossible to achieve, particularly given the tight deadline ahead of their introduction on 2 April but it still looks to be the direction of travel. Officials expect they will account for value-added taxes on consumption. In the case of NZ, that means an automatic tariff rate of 15% in line with NZ GST at that rate.

As expected, Germany's lower house approved Chancellor-in-waiting Merz's plan to loosen the debt brake and unleash a significant easing in fiscal policy directed at boosting defence and infrastructure spending. The package includes theoretically unlimited defence spending and an off-budget €500b infrastructure fund. The package could add 1½-2% to German GDP over the next decade or so,

reflected in the co-leader of the Social Democrat saying, "this is possibly the biggest spending packaged in the history of our country". There are a few more boxes that need to be ticked before being signed into law, but the deal is as good as done.

Much of the market reaction to this package already occurred earlier this month and Germany's 10-year rate immediately fell 3bps when news of the vote was released, after pushing higher ahead of the vote. The net change on the day has been minimal, with consolidation over recent days and the rate still up over 40bps for the month to date.

Canadian CPI inflation picked up and was stronger than expected, with the annual headline increase at 2.6% y/y in February, up from 1.9% the previous month and the average of the trimmed mean and median rising to 2.9% from 2.7%. The end of a sales tax break only partly explained the increase, and the move higher in inflation came ahead of the US-Canada tariff trade war. The data didn't significantly impact the market but solidified the consensus view that the Bank of Canada will take a pause in the easing cycle.

US industrial production rose by a stronger than expected 0.7% m/m in February, driven by a surge in autos. Activity was likely brought forward ahead of the imposition of 25% tariffs on Canada and Mexico and thus higher activity is unlikely to be sustained. Housing starts surged 11.2% m/m in February, impacted by the weather, with the strong pick-up following the weather-affected slump in January. Building permits, which are much less affected by the weather, fell 1.2% m/m, in line with expectations.

In currency markets, net movements have been modest. The NZD has tracked a range of not much more than 30 pips, dipping just below 0.58 overnight from a high just over 0.5830 and currently mid-range. The AUD has modestly underperformed, and NZD/AUD continues to push higher, heading towards 0.9150, possibly the first line of resistance, as occurred in December. EUR and GBP have made modest gains to around 1.0950 and 1.30 respectively and the NZD is slightly weaker on these crosses.

There's little to say about the domestic rates market, with rates barely changed (1bp or less) across the NZGB and swaps curves yesterday. There's also little to say about the overnight GDT dairy auction overnight, with the price index unchanged and minimal price movements for whole milk and skim milk powders.

In the day ahead, NZ consumer confidence and current account data are released. The BoJ’s latest policy decision will be announced later this afternoon, with policy widely expected to remain on hold despite strong wage and price inflation – the snail’s pace of lifting rates is seen to continue. The Fed’s latest policy announcement comes at 7am tomorrow NZ time, with a widely held view of no change in rates, and no change to the median projection of two rates cuts this year as expressed in the dot plot, alongside a downward revision to growth and upward revision to inflation projections. Fed Chair Powell will want to keep options open regarding the policy outlook, still clouded by what additional tariffs President Trump will impose next month.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Westpac consumer confidence	Q1		97.5	9:00
NZ	Current a/c bal. (% of GDP)	Q4	-6.1	-6.4	10:45
JN	BoJ target rate (%)	Mar	0.5	0.5	
US	Fed Funds rate (upper bd %)	Mar	4.5	4.5	7:00

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	0.5818	-0.0	0.5798	0.5831	CHF	0.8763	-0.5	S&P 500	5,618	-1.0	9.1	Oil (Brent)	70.62	-0.6		
AUD	0.6362	-0.4	0.6344	0.6391	SEK	10.031	-0.6	Dow	41,576	-0.6	7.2	Oil (WTI)	66.96	-0.9		
EUR	1.0947	+0.2	1.0893	1.0955	NOK	10.545	+0.1	Nasdaq	17,522	-1.6	8.8	Gold	3040.6	+1.2		
GBP	1.3000	+0.1	1.2952	1.3007	HKD	7.770	+0.0	Stoxx 50	5,485	+0.7	10.1	HRC steel	940.0	+0.0		
JPY	149.27	+0.0	149.22	149.94	CNY	7.226	-0.0	FTSE	8,705	+0.3	12.7	CRB	304.7	+0.7		
CAD	1.4306	+0.1			SGD	1.331	+0.0	DAX	23,381	+1.0	30.4	Wheat Chic.	583.8	-0.2		
NZD/AUD	0.9145	+0.3			IDR	16,428	+0.1	CAC 40	8,115	+0.5	-0.4	Sugar	19.99	-0.3		
NZD/EUR	0.5315	-0.2			THB	33.60	+0.0	Nikkei	37,845	+1.2	-5.4	Cotton	66.63	-0.5		
NZD/GBP	0.4475	-0.1			KRW	1,451	+0.5	Shanghai	3,430	+0.1	12.0	Coffee	383.8	+0.1		
NZD/JPY	86.85	+0.0			TWD	32.97	-0.1	ASX 200	7,860	+0.1	2.0	WM powder	3910	+0.0		
NZD/CAD	0.8323	+0.1			PHP	57.30	+0.0	NZX 50	12,077	-0.7	2.2	Australian Futures				
NZ TWI	68.73	+0.0						VIX Index	21.70	+5.8	+51.4	3 year bond	96.24	-0.01		
												10 year bond	95.57	0.01		
Interest Rates						NZ Government Bonds					NZ BKBM and Swap Yields					
Rates	Swap Yields				Benchmark 10 Yr Bonds		Last			Chg		Last			Chg	
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day										
USD	4.50	4.85	3.86	3.87	USD	4.28	-0.02	15-Apr-27		3.67	0.00	BKBM 1-mth	3.78	-0.03		
AUD	4.10	4.11	3.71	4.34	AUD	4.40	-0.01	15-May-28		3.85	0.00	BKBM 3-mth	3.66	0.00		
NZD	3.75	3.66	3.51	4.19	NZD	4.68	-0.01	20-Apr-29		3.98	0.00	1 year	3.42	0.00		
EUR	2.50	2.46	2.30	2.69	GER	2.81	-0.01	15-May-30		4.13	0.00	2 year	3.51	0.00		
GBP	4.50	4.74	4.06	4.11	GBP	4.64	0.01	15-May-31		4.29	0.00	3 year	3.60	0.00		
JPY	0.48	-0.03	0.83	1.34	JPY	1.51	-0.01	15-May-32		4.42	0.00	5 year	3.79	0.00		
CAD	2.75	4.97	2.40	2.76	CAD	3.02	0.01	14-Apr-33		4.51	-0.00	7 year	3.97	0.01		
								15-May-34		4.60	-0.00	10 year	4.19	0.00		
								15-May-35		4.68	-0.01	15 year	4.44	0.00		
								15-May-36		4.77	-0.01	NZ Inflation-Indexed Bonds				
								15-May-37		4.88	-0.01	Sep-30	2.28	0.01		
								15-May-41		5.09	-0.01	Sep-35	2.76	0.01		
								15-May-51		5.25	-0.01	Sep-40	3.05	0.01		
								15-May-54		5.26	-0.01					

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:56
 Source: Bloomberg

NZD exchange rates

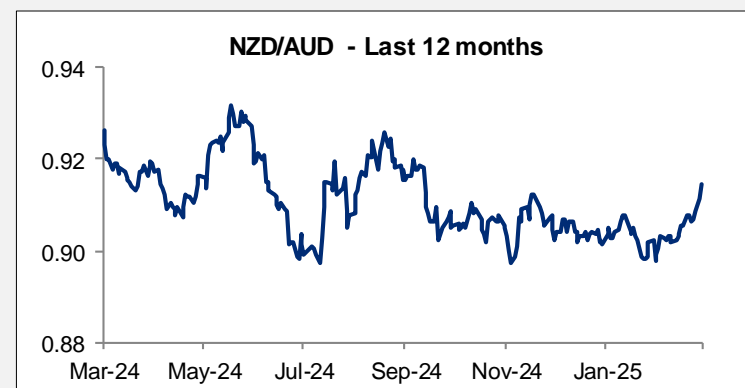
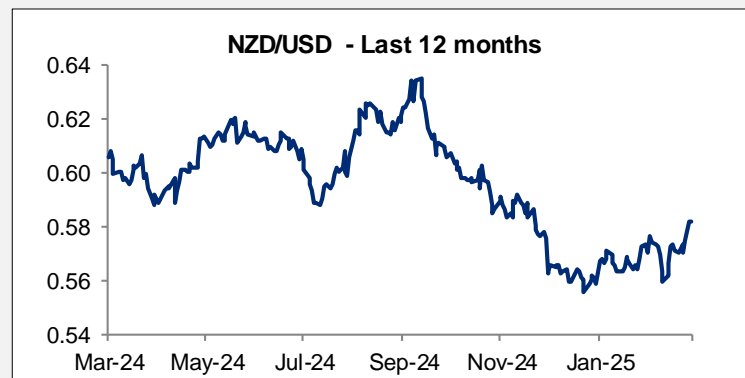
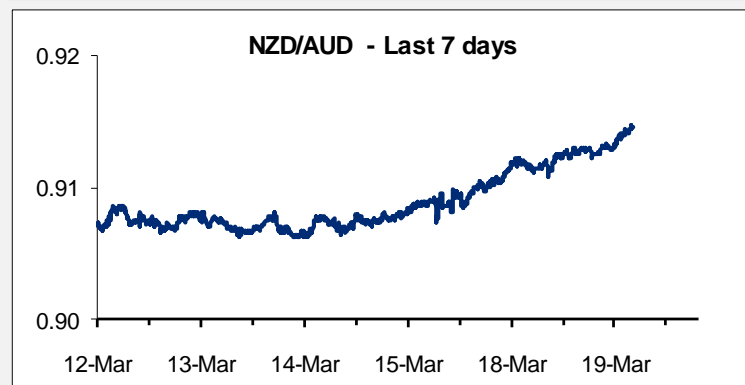
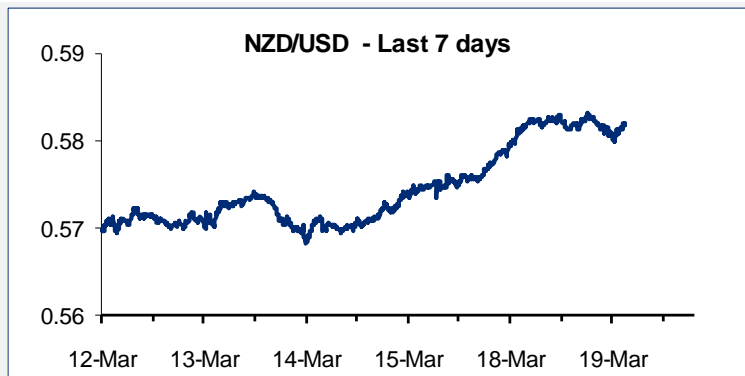
19/03/2025	6:56 am	Prev. NY close
USD	0.5818	0.5820
GBP	0.4475	0.4480
AUD	0.9145	0.9117
EUR	0.5315	0.5329
JPY	86.85	86.84
CAD	0.8323	0.8316
CHF	0.5098	0.5127
DKK	3.9643	3.9756
FJD	1.3329	1.3379
HKD	4.5204	4.5219
INR	50.36	50.52
NOK	6.1350	6.1331
PKR	163.05	162.74
PHP	33.34	33.35
PGK	2.3718	2.3496
SEK	5.8359	5.8712
SGD	0.7741	0.7742
CNY	4.2039	4.2056
THB	19.54	19.56
TOP	1.3787	1.3857
VUV	71.54	71.74
WST	1.6199	1.6180
XPF	63.59	63.72
ZAR	10.5452	10.5259

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	3.49	3.88
3 Months	12.01	12.51
6 Months	25.12	26.12
9 Months	35.83	37.77
1 Year	44.07	47.07

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	3.15	3.96
3 Months	11.91	13.14
6 Months	25.34	28.19
9 Months	35.34	40.35
1 Year	43.05	51.30



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