

Research Markets Today

20 February 2025

Events Round-Up

NZ: PPI inputs (q/q%), Q4: -0.9 vs. 1.9 prev.
 NZ: PPI outputs (q/q%), Q4: -0.1 vs. 1.5 prev.
 AU: Wage price index (q/q%), Q4: 0.7 vs. 0.8 exp.
 AU: Wage price index (y/y%), Q4: 3.2 vs. 3.2 exp.
 NZ: RBNZ Official Cash Rate (%), Feb: 3.75 vs. 3.75 exp.
 UK: CPI (y/y%), Jan: 3.0 vs. 2.8 exp.
 UK: CPI core (y/y%), Jan: 3.7 vs. 3.7 exp.
 UK: CPI services (y/y%), Jan: 5.0 vs. 5.1 exp.
 US: Housing starts (m/m%), Jan: -9.8 vs. -6.8 exp.
 US: Building permits (m/m%), Jan P: 0.1 vs. -1.5 exp.

Good morning

US equities are flat in afternoon trade in the absence of first-tier economic data or other catalysts to provide direction. US treasuries are little changed, and outperformed European fixed income markets, which moved higher in yield after hawkish comments from an ECB official. President Trump said he would likely impose tariffs on cars, semi-conductors and pharmaceutical imports of around 25%. An announcement is expected in early April. European stocks retraced from a record high with the Euro Stoxx index falling 1.3%.

US treasury yields are modestly lower at the front end of the curve while 10-year notes are steady at 4.55%. The Financial Times reported that China's holdings of US treasuries have fallen to the lowest level since 2009. Total holdings fell to US\$759 billion, a decrease of US\$57 billion in 2024. The decrease likely reflects a diversification into alternative assets like gold, and China holding a portion of its treasuries in custodian accounts, domiciled in other countries.

European bonds underperformed US treasuries. 10-year bund yields closed 6bp higher at 2.55%. The amount of ECB easing priced for this year declined to ~72bp after Executive Board member Isabel Schnabel said the Bank may need to pause or halt its interest rate reductions. She said ECB officials should discuss whether to remove language from its post-meeting statement in March that says monetary policy is still restraining the euro-zone economy.

UK headline CPI rose 3% in January which was above consensus estimates. This is the highest level in ten months and compares with 2.5% in December. Core CPI increased by 3.7% while services prices increased 5.0%, both close to economists' estimates. The pickup in headline inflation had been well telegraphed and limited the market impact. There is around 52bp of Bank of England rate cuts priced by December, which was little changed following the data.

The US dollar is broadly stronger against G10 currencies. The euro slipped towards 1.04 with limited lasting support from Schnabel's comments. The yen outperformed within G10 currencies. Bank of Japan Board Member Takata said it is important to continue considering gradual interest rate hikes to contain upside risks to inflation.

The post-RBNZ weakness in NZD/USD quickly reversed in the local session yesterday. Since our close, the NZD has largely matched G10 currencies and is weaker overnight, having retraced back below 0.5700. The NZD was stable on most of the major crosses except NZD/JPY which fell back towards 86.40.

The RBNZ matched expectations and market pricing and delivered a 50bp reduction in the OCR to 3.75% at the Monetary Policy Statement yesterday. The accompanying statement outlined consumer price inflation is near the 2% midpoint of the target band, economic activity is subdued, and spare capacity is weighing on domestic price pressures. The Bank maintained a clear easing bias. Its downwardly revised modelled OCR track aligns with 25bp cuts at each of at the next two meetings a terminal OCR near 3%.

NZ fixed income yields fell immediately after the Policy Statement was released. However, the move largely unwound during the press conference after Governor Orr indicated further easing would likely come in 25bp increments, albeit this pace aligning with the RBNZ's published OCR track. After reaching a low of 3.48%, 2-year swap rates closed 2bp higher and unchanged from pre-MPS levels. The curve flattened at the margin with 10-year rates ending the local session unchanged at 4.22%.

10-year government bonds underperformed swaps closing 3bp higher at 4.68%. The bond market looks ahead to the weekly tender today. There will be NZ\$500 million of bonds being offered by New Zealand Debt Management

split across the Apr-27 (\$250m), May-34 (\$200m) and May-41 (\$50m) maturities. There will also be \$30 million of the Sep-35 inflation indexed bonds offered. Breakevens are towards the bottom end of the albeit narrow range that has prevailed for past few months and should support demand.

The minutes for the January FOMC are released soon after we go to print this morning. There is no domestic data of note in the day ahead. Labour market data is scheduled in Australia. The unemployment rate is expected to edge higher to 4.1% from 4.0% in January. Initial jobless claims and the Philadelphia Fed business outlook survey are released in the US.

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Coming Up

		Period	Cons.	Prev.	NZT
US	FOMC Meeting Minutes	Jan			08:00
AU	Employment Change	Jan	20	56.3	13:30
AU	Unemployment Rate	Jan	4.1	4	13:30
CH	1-Year Loan Prime Rate	Feb	3.1	3.1	14:00
CH	5-Year Loan Prime Rate	Feb	3.6	3.6	14:00
US	Philadelphia Fed Outlook	Feb	15	44.3	02:30
US	Initial Jobless Claims	15 Feb	215	213	02:30
EC	Consumer Confidence	Feb P	-14	-14.2	04:00

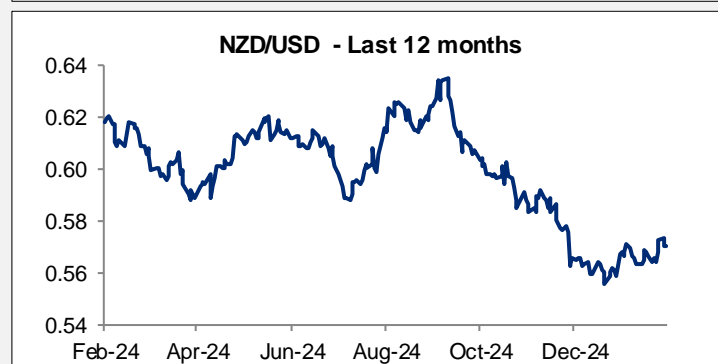
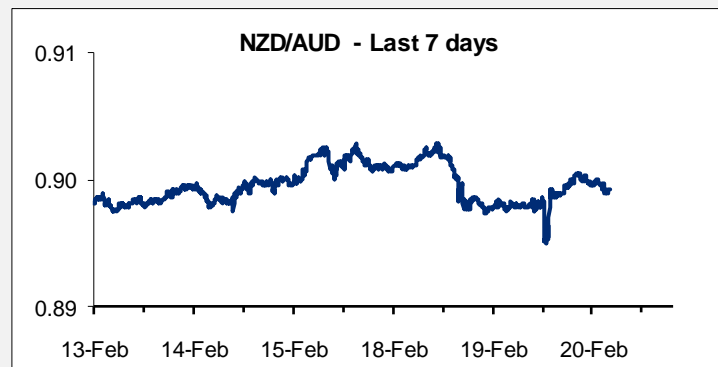
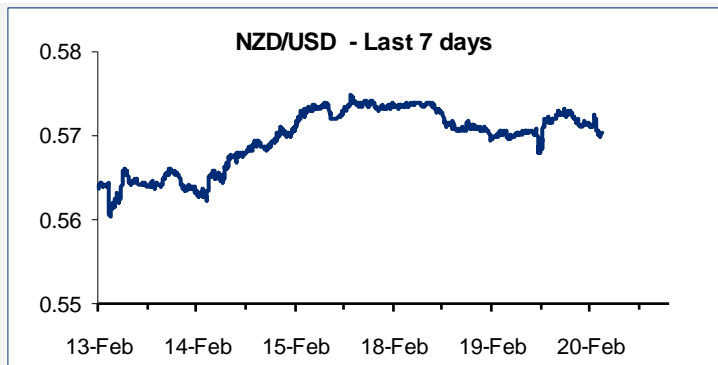
Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day				Last	Net Day			
NZD	0.5703	+0.0	0.5697	0.5732	CHF	0.9046	+0.2	S&P 500	6,134	+0.1	22.5	Oil (Brent)	76.35	+0.6	
AUD	0.6342	-0.2	0.6337	0.6370	SEK	10.749	+0.3	Dow	44,425	-0.3	15.0	Oil (WTI)	72.54	+0.9	
EUR	1.0411	-0.3	1.0401	1.0461	NOK	11.140	-0.1	Nasdaq	20,038	-0.0	27.0	Gold	2923.2	-0.3	
GBP	1.2573	-0.3	1.2563	1.2635	HKD	7.777	+0.0	Stoxx 50	5,461	-1.3	14.7	HRC steel	773.0	+0.7	
JPY	151.67	-0.3	151.25	151.96	CNY	7.279	+0.0	FTSE	8,713	-0.6	12.7	CRB	315.5	+1.1	
CAD	1.4229	+0.2			SGD	1.343	+0.1	DAX	22,434	-1.8	31.3	Wheat Chic.	606.5	-1.8	
NZD/AUD	0.8992	+0.2			IDR	16,325	+0.3	CAC 40	8,111	-1.2	4.4	Sugar	20.69	+0.8	
NZD/EUR	0.5478	+0.3			THB	33.77	+0.3	Nikkei	39,165	-0.3	2.1	Cotton	66.51	-1.5	
NZD/GBP	0.4536	+0.3			KRW	1,442	+0.2	Shanghai	3,352	+0.8	14.7	Coffee	415.2	+2.3	
NZD/JPY	86.50	-0.3			TWD	32.75	+0.0	ASX 200	8,419	-0.7	9.9	WM powder	4050	+0.1	
NZD/CAD	0.8115	+0.2			PHP	58.10	-0.2	NZX 50	13,033	-0.1	12.6	Australian Futures			
NZ TWI	67.98	+0.1						VIX Index	15.58	+1.5	+5.9	3 year bond	96.06	-0.01	
Interest Rates											10 year bond			95.44	-0.02
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	4.14	4.15	USD	4.55	0.00	15-Apr-27	3.69	0.02	BKBM 1-mth	3.89	-0.02		
AUD	4.10	4.15	3.89	4.52	AUD	4.52	0.02	15-May-28	3.85	0.01	BKBM 3-mth	3.77	-0.02		
NZD	3.75	3.77	3.54	4.22	NZD	4.68	0.03	20-Apr-29	3.99	0.02	1 year	3.49	0.00		
EUR	2.75	2.52	2.30	2.48	GER	2.56	0.06	15-May-30	4.14	0.02	2 year	3.54	0.02		
GBP	4.50	5.30	4.11	4.12	GBP	4.61	0.05	15-May-31	4.29	0.02	3 year	3.63	0.02		
JPY	0.48	-0.03	0.84	1.32	JPY	1.44	0.01	15-May-32	4.41	0.02	5 year	3.81	0.02		
CAD	3.00	4.97	2.69	2.98	CAD	3.21	0.02	14-Apr-33	4.50	0.02	7 year	4.00	0.01		
							NZ Inflation-Indexed Bonds				10 year			4.22	0.01
							Sep-30				4.68	0.03	15 year	4.46	0.00
							Sep-35				4.76	0.03			
							Sep-40				4.85	0.02			
											4.85	0.02			
											5.05	0.02			
											5.22	0.02			
											5.22	0.02			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:21
Source: Bloomberg

NZD exchange rates

20/02/2025 6:22 am		Prev. NY close
USD	0.5703	0.5703
GBP	0.4536	0.4522
AUD	0.8992	0.8977
EUR	0.5478	0.5460
JPY	86.50	86.72
CAD	0.8115	0.8096
CHF	0.5159	0.5152
DKK	4.0858	4.0720
FJD	1.3195	1.3192
HKD	4.4355	4.4340
INR	49.59	49.55
NOK	6.3529	6.3617
PKR	159.38	159.33
PHP	33.13	33.17
PGK	2.2931	2.2867
SEK	6.1299	6.1147
SGD	0.7661	0.7655
CNY	4.1511	4.1492
THB	19.22	19.22
TOP	1.3492	1.3608
VUV	70.45	70.42
WST	1.5889	1.5872
XPF	65.57	65.46
ZAR	10.5941	10.4964



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.72	2.88
3 Months	10.29	10.83
6 Months	24.23	25.60
9 Months	38.59	40.62
1 Year	50.79	54.03

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.31	2.73
3 Months	10.10	11.46
6 Months	24.24	27.55
9 Months	38.73	44.66
1 Year	50.49	59.17

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