

Research Markets Today

20 March 2025

Events Round-Up

NZ: Westpac consumer confidence, Q1: 89.2 vs. 97.5 prev.

NZ: Current a/c bal. (% of GDP), Q4: -6.2 vs. -6.1 exp.

JN: BoJ target rate (%), Mar: 0.5 vs. 0.5 exp.

US: Fed Funds rate (upper bd %), Mar: 4.5 vs. 4.5 exp.

Good morning

In the lead up to the US Federal Reserve's rate decision this morning, US equities advanced while treasury yields and US dollar moved higher, in the absence of first tier economic data. Commodity markets were subdued with gold prices consolidating near record highs above US\$3000 per troy ounce and Brent crude was stable near US\$71 per barrel.

The FOMC left rates on hold for the second consecutive meeting. It kept the upper bound for the Fed Funds Rate at 4.5% which was unanimously expected by economists and in line with market pricing. The Fed outlined plans to slow the pace of balance sheet runoff from next month citing uncertainty around the economic outlook. Although the decision to leave rates on hold was unanimous, Governor Waller preferred to maintain the current pace of balance sheet reduction.

The updated Summary of Economic Projections show policy makers have downgraded growth while increasing their inflation forecasts. The economy is expected to grow 1.7% this year compared with a 2.1% forecast at the December FOMC. Core PCE inflation projections increased to 2.8% from 2.5%. The median FOMC member expects to cut rates by 50bp this year, unchanged from December, though the amount that favoured reducing rates by 25bp increased.

Fed Chair Powell said inflation has made progress but remains above target and that surveys suggest tariffs are impacting inflation expectations. He characterised the labour market as broadly in balance. He repeated previous messaging that the central bank does not need to hurry to adjust its stance with policy well positioned to wait for greater clarity.

US treasury yields were 3-4bp higher across the curve ahead of the decision and moved lower immediately afterwards and the US dollar pulled back off the session

highs. The market is pricing around 60bp of easing by the end of the year compared with 55bp earlier in the session. US equities maintained previous gains.

The Bank of Japan kept its policy rate steady which was in line with expectations. Although domestic conditions would support a further tightening in monetary policy, the Bank remains cautious given the escalating trade tensions and potential impact on the global economy. Governor Ueda indicated it is not in a rush to hike rates for now. The market is pricing around 30bp of hikes by the end of the year.

The yen weakened after the BoJ decision with USD/JPY trading above 150 for the first time in two weeks. The US dollar was stronger broadly against G10 currencies in the lead-up to the FOMC. EUR/USD pulled back from the recent high near 1.0950 after the sharp rally since the beginning of the month. The firmer US dollar also weighed on the NZD which traded back below 0.5800 overnight.

NZ consumer confidence fell sharply. The deterioration in the labour market and growing nervousness about the global backdrop are weighing on consumer confidence. Weak confidence and the pullback in the services PMI for February illustrate that the anticipated economic recovery this year will not all be one-way.

NZ swap rates moved lower in the local session yesterday and outperformed on a cross-market basis against Australia. 2-year swap rates fell 5bp to 3.46% with the curve steepening at the margin with the weak consumer confidence data supporting the move.

10-year NZGB yields closed 3bp lower at 4.65%. Australian 10y bond futures are little changed since the local close yesterday, which suggests limited directional bias, for NZ yields on the open.

The weekly government bond tender is scheduled today. NZ Debt Management will offer NZ\$500m of nominal bonds across the May-2030 (\$250m), May-36 (\$200m) and May-2054 (\$50m) lines. The market will need to absorb a decent amount of interest rate risk for a second consecutive week. There are no linkers being tendered after consistent issuance over the past month.

The domestic focus today will be Q4 GDP data. After the significant contraction through the middle of last year, the

economy is expected to rebound recover modestly in the December quarter. We forecast 0.2% growth in the quarter, trivially below the RBNZ's 0.3% projection from the February Monetary Policy Statement.

In Australia, labour market data is released. The unemployment rate is expected to remain unchanged at 4.1%. Labour market data is also released in the UK and the Bank of England are expected to leave rates unchanged at 4.5% with market pricing fully discounting rates being left on hold.

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Coming Up

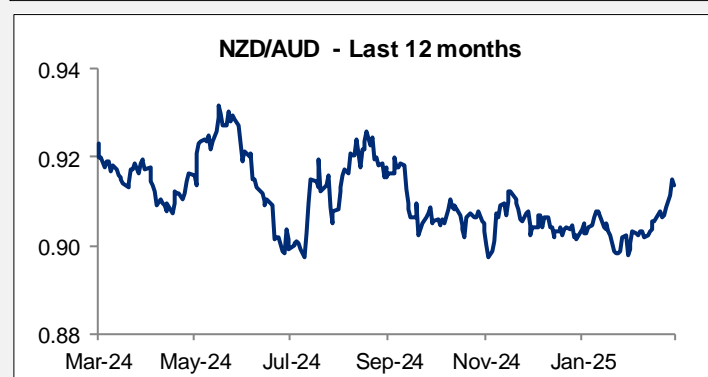
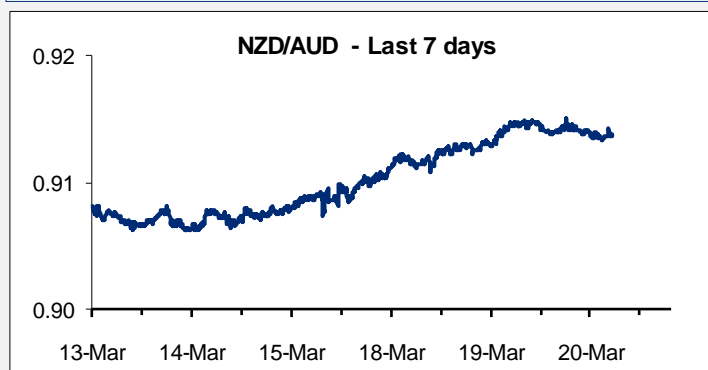
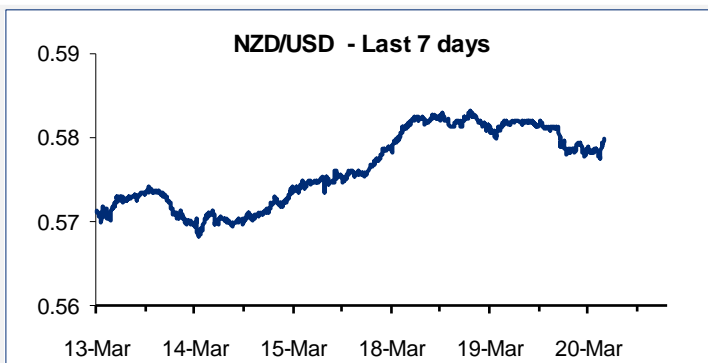
		Period	Cons.	Prev.	NZT
NZ	GDP SA (q/q%)	4Q	0.4	-1	10:45
AU	Employment Change	Feb	30	44	13:30
AU	Unemployment Rate	Feb	4.1	4.1	13:30
UK	Earnings ex Bonus (3m ann.)	Jan	6.1		20:00
UK	ILO Unemployment Rate 3m	Jan	4.4	4.4	20:00
UK	Bank of England Bank Rate	Mar	4.5	4.5	1:00
US	Initial Jobless Claims	15 Mar	224	220	1:30
US	Existing Home Sales (m/m%)	Feb	-3.19	-4.9	3:00

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	0.5797	-0.3	0.5776	0.5814	CHF	0.8779	+0.1	S&P 500	5,657	+0.7	9.2	Oil (Brent)	70.81	+0.3
AUD	0.6344	-0.2	0.6321	0.6360	SEK	10.108	+0.6	Dow	41,830	+0.6	7.0	Oil (WTI)	67.13	+0.4
EUR	1.0896	-0.4	1.0861	1.0933	NOK	10.577	+0.1	Nasdaq	17,709	+1.3	9.5	Gold	3047.7	+0.3
GBP	1.2991	-0.0	1.2955	1.2996	HKD	7.770	+0.0	Stoxx 50	5,507	+0.4	10.0	HRC steel	937.0	-0.3
JPY	149.02	-0.2	149.10	150.15	CNY	7.229	+0.1	FTSE	8,707	+0.0	12.5	CRB	304.1	-0.2
CAD	1.4326	+0.2			SGD	1.332	+0.0	DAX	23,288	-0.4	29.5	Wheat Chic.	580.5	-0.3
NZD/AUD	0.9138	-0.1			IDR	16,531	+0.6	CAC 40	8,171	+0.7	-0.4	Sugar	19.69	-1.7
NZD/EUR	0.5320	+0.0			THB	33.62	-0.0	Nikkei	37,752	-0.2	-7.5	Cotton	66.35	-0.1
NZD/GBP	0.4462	-0.3			KRW	1,463	+0.8	Shanghai	3,426	-0.1	11.3	Coffee	391.1	+1.9
NZD/JPY	86.39	-0.6			TWD	33.04	+0.2	ASX 200	7,828	-0.4	1.7	Wm powder	3900	+0.0
NZD/CAD	0.8305	-0.2			PHP	57.29	-0.0	NZX 50	12,046	+0.0	1.8	Australian Futures		
NZ TWI	68.58	-0.2						VIX Index	20.33	-6.3	+47.1	3 year bond	96.22	-0.02
Interest Rates														
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	3.84	3.85	USD	4.26	-0.02	15-Apr-27	3.63	-0.05	BKBM 1-mth	3.78	0.00	
AUD	4.10	4.12	3.73	4.35	AUD	4.42	0.02	15-May-28	3.81	-0.05	BKBM 3-mth	3.67	0.01	
NZD	3.75	3.67	3.46	4.17	NZD	4.65	-0.03	20-Apr-29	3.94	-0.04	1 year	3.41	-0.01	
EUR	2.50	2.43	2.30	2.68	GER	2.80	-0.01	15-May-30	4.09	-0.04	2 year	3.46	-0.05	
GBP	4.50	4.73	4.07	4.13	GBP	4.63	-0.01	15-May-31	4.25	-0.04	3 year	3.55	-0.05	
JPY	0.48	-0.03	0.86	1.37	JPY	1.52	0.01	15-May-32	4.39	-0.03	5 year	3.75	-0.04	
CAD	2.75	4.97	2.39	2.74	CAD	3.00	-0.02	14-Apr-33	4.48	-0.03	7 year	3.94	-0.04	
					Policy Meeting Run			15-May-34	4.57	-0.03	10 year	4.17	-0.03	
								15-May-35	4.65	-0.03	15 year	4.41	-0.03	
								15-May-36	4.74	-0.03	NZ Inflation-Indexed Bonds			
								15-May-37	4.85	-0.02	Sep-30	2.28	0.00	
								15-May-41	5.07	-0.01	Sep-35	2.77	0.01	
								15-May-51	5.23	-0.02	Sep-40	3.06	0.01	
								15-May-54	5.24	-0.02				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates are as of: NZT 07:42														
Source: Bloomberg														

NZD exchange rates

20/03/2025	7:42 am	Prev. NY close
USD	0.5797	0.5820
GBP	0.4462	0.4477
AUD	0.9138	0.9150
EUR	0.5320	0.5317
JPY	86.39	86.88
CAD	0.8305	0.8321
CHF	0.5089	0.5102
DKK	3.9687	3.9667
FJD	1.3305	1.3419
HKD	4.5044	4.5218
INR	50.11	50.38
NOK	6.1311	6.1461
PKR	162.39	162.74
PHP	33.22	33.35
PGK	2.3489	2.3572
SEK	5.8594	5.8448
SGD	0.7719	0.7744
CNY	4.1909	4.2053
THB	19.50	19.54
TOP	1.3721	1.3831
VUV	71.13	71.57
WST	1.6154	1.6260
XPF	63.50	63.61
ZAR	10.5067	10.5600



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	3.46	3.85
3 Months	11.96	12.45
6 Months	25.02	26.03
9 Months	35.88	38.10
1 Year	44.21	47.21

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	3.07	3.96
3 Months	11.87	13.07
6 Months	25.04	28.04
9 Months	35.83	41.67
1 Year	44.16	53.43

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