

Research Markets Today

21 February 2025

Events Round-Up

AU: Employment change (k), Jan: 44 vs. 20 exp.
 AU: Unemployment rate (%), Jan: 4.1 vs. 4.1 exp.
 US: Philadelphia Fed outlook, Feb: 18.1 vs. 14.3 exp.
 US: Initial jobless claims, wk to 15 Feb: 219 vs. 215 exp.
 EC: Consumer confidence, Feb: -13.6 vs. -14.0 exp.

Good Morning

US and European equity markets are weaker, retreating from recent record highs. The US S&P500 is down 0.7% in early afternoon trading, driven by financials and consumer discretionary stocks. Lower than expected revenue and earnings forecasts for the year ahead from consumer bellwether Walmart got the market's attention as the company gave a cautious outlook. Management cited "stretched" consumer wallets and, ahead of tariffs, said "we are in an uncertain time". Walmart's stock price is down over 6% for the day. The Euro Stoxx 600 index fell 0.2%.

US Treasury yields are down modestly, reversing an earlier overnight lift in yields, with the long end of the curve supported by comments from Treasury Secretary Bessent. In a Bloomberg TV interview, he said that any move to boost the share of longer-term Treasuries in government debt issuance is "a long way off". He said it would be easier to extend duration when the Fed completes its balance sheet runoff. The 10-year rate is currently just below 4.50%, down slightly from the NZ close.

Economic data didn't move the needle, with US initial jobless claims continuing to trend sideways, with a small lift last week to 219k. The Philadelphia Fed business outlook index fell to 18.1 in February, confirming that the sharp lift to 44.3 in January was an outlier.

The USD is broadly weaker, with DXY index down 0.7% for the day. The best performer over the past 24 hours has been the yen, as it reached its highest level this year. USD/JPY fell below 149.50 for the first time since early December, supported by higher Japanese rates. The 10-year JGB yield continues to trend higher, with the rate closing yesterday just shy of 1.45%, its highest level since 2009. CPI data due today is expected to show headline CPI inflation climbing to 4.0% y/y and the ex-fresh food and energy rate up to 2.5%. Japan's real policy rate remains deeply negative, and conviction continues to grow that the

BoJ will have to tighten policy further. NZD/JPY is trading at 86.1, down modestly from this time yesterday although up slightly overnight.

The NZD and AUD have been well supported, with some spillover impact from a stronger yuan. Yesterday, in off-the-cuff comments to reporters, President Trump said "It's possible, it's possible" when asked if he would make a new trade deal with China. The question was probably prompted by an earlier NY Times article that suggested US officials are considering whether they can strike a deal with China that would ramp up its purchases of US goods and investments in the US. The article claimed sourced reports that President Trump would like to strike a wide-ranging deal with President Xi, one that goes beyond just reworking the trading relationship. USD/CNH is down 0.7% for the day to 7.235.

The NZD has traded at a fresh high for the year just below 0.5770 and we see 0.58 as the first test for some resistance. The knee-jerk fall after the RBNZ's 50bps rate cut on Wednesday is now a distant memory and the currency is back in the hands of global forces. The AUD is also trading at its high for the year, breaking up through 0.64. NZD/AUD is up a touch, just over 0.90. Yesterday, there was little market reaction to Australian labour market data, which continued to paint a picture of a tight labour market, with a solid 44k gain in employment in January, although not strong enough to prevent a tick up in the unemployment rate to 4.1%.

The NZD has outperformed gains in EUR and GBP, with modestly higher crosses, up towards 0.55 and 0.4550 respectively.

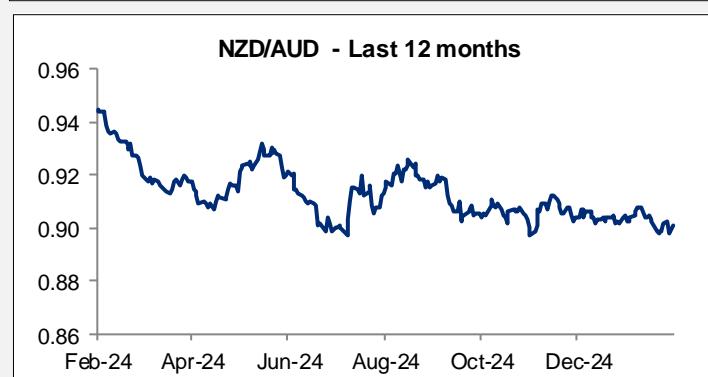
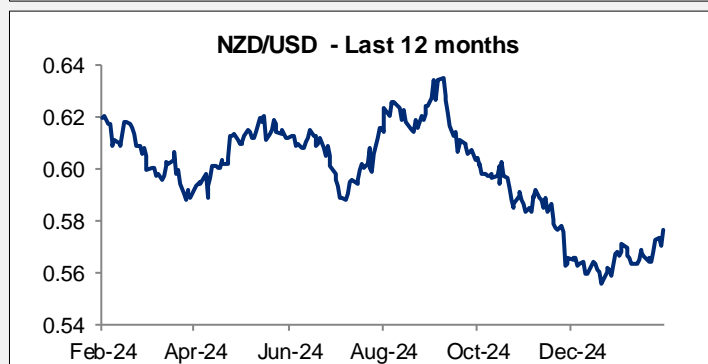
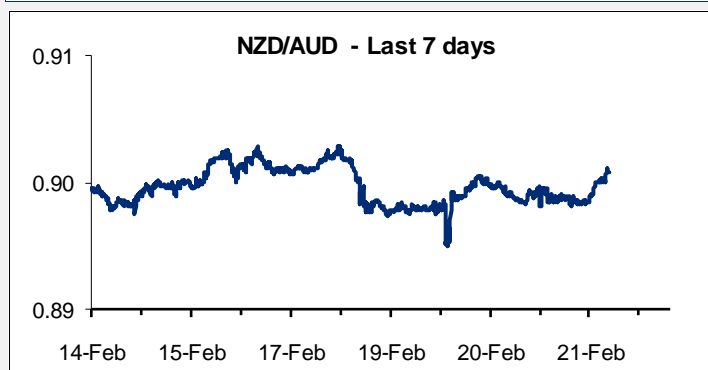
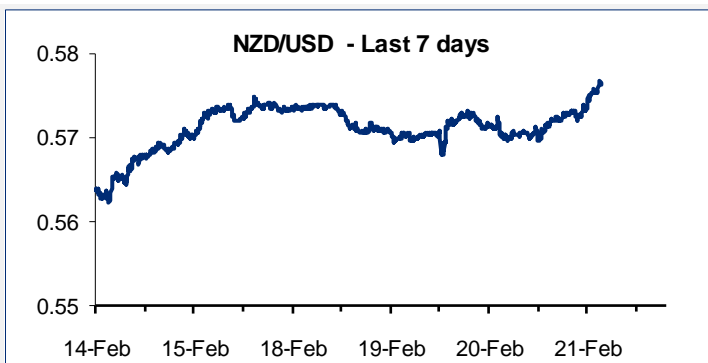
In the domestic rates market, there was again strong demand for NZ bonds at the weekly tender, with bid-cover ratios around 4½-5 and lines cleared at 2-3bps below prevailing mid rates. The curve steepened, with small upside pressure on short end yields and slightly lower long-term yields. The 10-year rate closed down 1bp to 4.67%. There was a small upside bias to swap rates, which rose 1-3bps across the curve.

On the economic calendar today, are NZ trade and Japan CPI data. Tonight sees the release of European and US PMI data, UK retail sales and the final readings for the University of Michigan consumer survey.

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NZD exchange rates

21/02/2025 6:57 am		Prev. NY close
USD	0.5762	0.5705
GBP	0.4554	0.4533
AUD	0.9007	0.8993
EUR	0.5493	0.5473
JPY	86.13	86.41
CAD	0.8174	0.8120
CHF	0.5177	0.5161
DKK	4.0975	4.0824
FJD	1.3289	1.3218
HKD	4.4805	4.4369
INR	49.94	49.60
NOK	6.3971	6.3538
PKR	161.02	159.43
PHP	33.38	33.14
PGK	2.3113	2.2939
SEK	6.1338	6.1189
SGD	0.7684	0.7661
CNY	4.1741	4.1526
THB	19.39	19.22
TOP	1.3631	1.3554
VUV	71.22	70.51
WST	1.6018	1.5897
XPF	66.16	65.56
ZAR	10.5721	10.5666



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.62	2.93
3 Months	10.69	11.39
6 Months	24.23	26.16
9 Months	38.33	40.46
1 Year	50.07	54.07

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.01	2.72
3 Months	10.37	11.88
6 Months	24.45	28.59
9 Months	39.69	44.43
1 Year	51.52	60.89

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