

# 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 wideranging 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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# **Coming Up**

		Period	Cons.	Prev.	NZT
NZ	Trade balance (ann \$b)	Jan		-7.7	10:45
JN	CPI (y/y%)	Jan	4.0	3.6	12:30
JN	CPI ex fr. food, energy (y/y%)	Jan	2.5	2.4	12:30
UK	Retail sales exauto fuel (m/m%)	Jan	0.9	-0.6	20:00
GE	Manufacturing PMI	Feb	45.5	45	21:30
GE	Services PMI	Feb	52.5	52.5	21:30
EC	Manufacturing PMI	Feb	47.0	46.6	22:00
EC	Services PMI	Feb	51.5	51.3	22:00
UK	Manufacturing PMI	Feb	48.5	48.3	22:30
UK	Services PMI	Feb	50.8	50.8	22:30
US	Manufacturing PMI	Feb	51.4	51.2	03:45
US	Services PMI	Feb	53.0	52.9	03:45
US	U. of Mich. Consumer sentiment	Feb	67.8	67.8	04:00
US	U. of Mich. 5-10y inflation exps.	Feb	3.3	3.3	04:00
US	Existing home sales (m/m%)	Jan	-2.59	2.2	04:00

Source: Bloomberg, BNZ

Currenci	es							Equities				Commodities	S	
FX Majors	Majors Indicative overnight ranges (*)			Other FX		Major Indices			Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net [
NZD	0.5762	+1.0	0.5719	0.5767	CHF	0.8984	-0.7	S&P 500	6,102	-0.7	22.6	Oil (Brent)	76.93	+1.
AUD	0.6397	+0.8	0.6362	0.6402	SEK	10.645	-0.7	Dow	44,017	-1.4	14.1	Oil (WTI)	73.25	+1.
EUR	1.0489	+0.6	1.0424	1.0495	NOK	11.102	-0.3	Nasdaq	19,900	-0.8	27.3	Gold	2943.8	+0.
GBP	1.2653	+0.5	1.2589	1.2660	HKD	7.776	-0.0	Stoxx 50	5,461	-0.0	14.7	HRC steel	779.0	+0.
JPY	149.48	-1.3	149.40	150.43	CNY	7.244	-0.5	FTSE	8,663	-0.6	12.2	CRB	316.6	+0.
CAD	1.4186	-0.3			SGD	1.334	-0.7	DAX	22,315	-0.5	30.7	Wheat Chic.	599.5	-1.
NZD/AUD	0.9007	+0.2			IDR	16,338	+0.1	CAC 40	8,123	+0.1	4.2	Sugar	21.02	+1.
NZD/EUR	0.5493	+0.4			THB	33.54	-0.6	Nikkei	38,678	-1.2	1.1	Cotton	65.92	-0.
NZD/GBP	0.4554	+0.5			KRW	1,435	-0.4	Shanghai	3,351	-0.0	13.5	Coffee	388.9	-5.
NZD/JPY	86.13	-0.3			TWD	32.78	+0.1	ASX 200	8,323	-1.1	9.4	WM powder	4060	+0.
NZD/CAD	0.8174	+0.7			PHP	57.93	-0.3	NZX 50	12,880	-1.2	11.1	Australian Fu	tures	
NZ TWI	68.33	+0.5						VIX Index	16.07	+5.2	+4.2	3 year bond	96.05	-0.0
Interest F	Rates											10 year bond	95.46	0.0
	Rates		Swap Yie	elds	Benchn	nark 10 \	r Bonds	NZ Governn	nent Bond	s		NZ BKBM and	l Swap Yi	elds
·-	Cash	3Mth	2 Yr	10 Yr		Last	Net Day			Last	Chg		Last	Ch
USD	4.50	4.85	4.11	4.11	USD	4.50	-0.03	15-Apr-27		3.72	0.04	BKBM 1-mth	3.87	-0.0
AUD	4.10	4.15	3.89	4.51	AUD	4.53	0.00	15-May-28		3.88	0.02	BKBM 3-mth	3.77	-0.0
NZD	3.75	3.77	3.57	4.23	NZD	4.67	-0.01	20-Apr-29		4.01	0.02	1 year	3.48	-0.0
EUR	2.75	2.53	2.28	2.46	GER	2.53	-0.02	15-May-30		4.15	0.01	2 year	3.57	0.0
GBP	4.50	5.30	4.11	4.13	GBP	4.61	-0.00	15-May-31		4.29	0.00	3 year	3.66	0.0
JPY	0.48	-0.03	0.85	1.31	JPY	1.45	0.01	15-May-32		4.41	-0.00	5 year	3.83	0.0
CAD	3.00	4.97	2.70	2.99	CAD	3.20	0.03	14-Apr-33		4.49	-0.01	7 year	4.01	0.0
								15-May-34		4.57	-0.01	10 year	4.23	0.0
								15-May-35		4.67	-0.01	15 year	4.46	0.0
					NZ Infla	tion-Inde	exed Bonds	15-May-36		4.75	-0.01			
These are	indicative	ranges froi	m 5pm NZ	Γ;	Sep-30	2.36	-0.02	15-May-37		4.84	-0.01			
please confirm rates with your BNZ dealer Sep-35 2.86 -0.02				15-May-41		5.04	-0.01							
Rates are as	s of: NZT	06:56			Sep-40	3.13	-0.02	15-May-51		5.20	-0.01			
Source: Bloc	ombera							15-May-54		5.20	-0.01			

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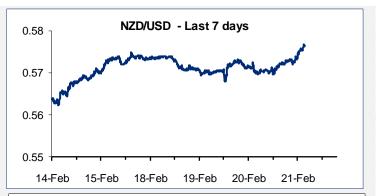
NZD exchange rates								
21/02/2025	6:57 am	Prev. NY close						
USD	0.5762	0.5705						
GBP	0.4554	0.4533						
AUD	0.9007	0.8993						
EUR	0.5493	0.5473						
JPY	86.13	86.41						
CAD	0.8174	0.8120						
CHF	0.5177	0.5161						
DKK	4.0975	4.0824						
FJD	1.3289	1.3218						
HKD	4.4805	4.4369						
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						

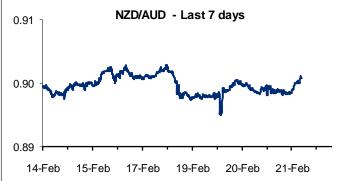
## **NZD/USD Forward Points**

	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**

	<b>BNZ</b> 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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