

# Research Markets Today

21 March 2025

## Events Round-Up

NZ: GDP (q/q%), Q4: 0.7 vs. 0.4 exp.  
 AU: Employment change (k), Feb: -53 vs. 30 exp.  
 AU: Unemployment rate (%), Feb: 4.1 vs. 4.1 exp.  
 UK: Pvt earnings ex-bonus (3m y/y%), Jan: 6.1 vs. 6.1 exp.  
 UK: Unemployment rate (%), Jan: 4.4 vs. 4.4 exp.  
 UK: Bank of England Bank Rate (%), Mar: 4.5 vs. 4.5 exp.  
 US: Initial jobless claims, wk to 15 Mar: 223 vs. 224 exp.  
 US: Existing home sales (m/m%), Feb: 4.2 vs. -3.2 exp.

## Good Morning

In the wake of the Fed's policy update yesterday, US Treasuries are well supported, with the market comforted by Chair Powell seeing the impact on inflation of higher tariffs as "transitory". We thought Powell might have avoided that word, given the Fed's view of inflation being transitory during the COVID episode proved to be wrong, but the market seems to be buying into the narrative.

The rally in Treasuries extended further overnight, taking the 10-year rate down to as low as 4.17% before reversing course. It currently sits at 4.24%, little changed from yesterday's close, as is the case for yields across the curve. The market prices the next 25bps cut fully by the July meeting and with 68bps of cuts for the year, a view that the Fed will be more attune to weaker growth than rising inflation this year.

After a soft open, the US equity market extended their post-Fed rally in early trading but the S&P500 has since slipped back into negative territory, down modestly as we head to print.

US existing home sales were much stronger than expected, rising 4.2% against an expected 3.2% fall, although it was mainly a case of reversing much of the previous month's fall. Initial jobless claims rose 2k to 223k last week, close to expectations, supporting the narrative of a still-resilient labour market.

As expected, the Bank of England left policy unchanged in a 8-1 vote, with perennial dove Dhingra voting for a 25bps cut and Mann falling back into the pack after voting for a larger 50bps cut at the previous meeting. The MPC left guidance unchanged at "a gradual and careful approach to

the further withdrawal of monetary restraint is appropriate". Governor Bailey noted "we still think that interest rates are on a gradually declining path" and "we are certainly now in a world of even greater uncertainty...we're still waiting to see what really does happen, because this is frankly a fairly fast-moving story".

The market pared the extent of further easing priced into the curve, with less than two full cuts priced this year, at 47bps, compared to 53bps priced at yesterday's close.

Ahead of the BoE meeting, UK labour market data were in line with expectations, showing still-strong wages growth – with private sector weekly earnings running at 6.1% yoy – and a steady unemployment rate of 4.4%. Despite modestly higher rates across the Gilts curve, the impact on GBP has been minimal, in the face of a broadly stronger USD, with GBP down modestly to 1.2960.

The NZD and AUD have clearly underperformed. The NZD found some overnight support near 0.5725 and currently sits around 0.5750. The AUD has fallen back below 0.63. The moves reverse inexplicable strength earlier in the week. NZD/AUD has fallen to 0.9130. The market twice attempted to push the cross rate higher yesterday, in the wake of, firstly, stronger than expected NZ GDP and, secondly, weaker than expected Australian employment, but in both cases, the moves up through 0.9160 quickly reversed.

NZ GDP data for Q4 showed a 0.7% q/q bounce-back, following back-to-back contractions of 1.1% over the previous two quarters. The figures need to be treated with caution, given the recent difficulty in seasonal adjustment. Market reaction was rightly fleeting in the rates and currency market, given the volatility in the data. Here we are one quarter later and the vibe is one of a cautious recovery in activity than solid growth.

Australian employment fell 53k in February following the 31k lift in January, but similar volatility in the participation rate left the unemployment rate steady at 4.1%, consistent with still-tight labour market conditions.

The NZD is weaker on all the other key crosses. NZD/JPY is down over 1% from this time yesterday to 85.5, NZD/GBP is down to 0.4435 and NZD/EUR has fallen back to 0.53. Speaking to lawmakers, ECB President Lagarde said an increase in US tariffs of 25 percentage points would lower euro area GDP growth by 0.3pps in the first year and

should the EU retaliate, growth would be reduced by half a percentage point, while inflation would rise by the same proportion. She added that the inflationary effect would ease, due to lower activity dampening inflationary pressures.

In the domestic rates market, there was very strong demand at the weekly bond tender, with some likely short covering from those who were expecting an early syndication of the tap of 2032 bonds. Bid to cover ratios were above 4 across all the lines offered and all were priced at 2½-3bps below pre-tender mids. NZGB yields closed the day down 4-6bps across the curve, compared to 2-4bps falls across the swaps curve.

On the economic calendar ahead, NZ trade data are released followed by Japan CPI data today, with only second-tier data released tonight.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

### Coming Up

		Period	Cons.	Prev.	NZT
NZ	Trade balance (ann \$b)	Feb	-7.2	10:45	
JN	CPI (y/y%)	Feb	3.5	4	12:30
JN	CPI ex fr. food, energy (y/y%)	Feb	2.6	2.5	12:30
UK	GfK consumer confidence	Mar	-20	-20	13:01
CA	Retail sales ex auto (m/m%)	Jan	-0.2	2.7	1:30
EC	Consumer confidence	Mar	-13	-13.6	4:00

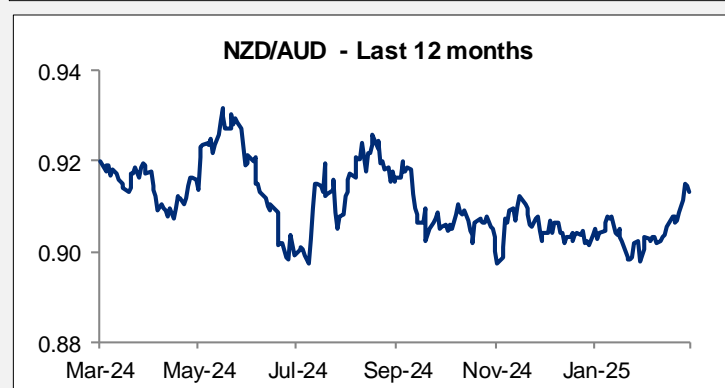
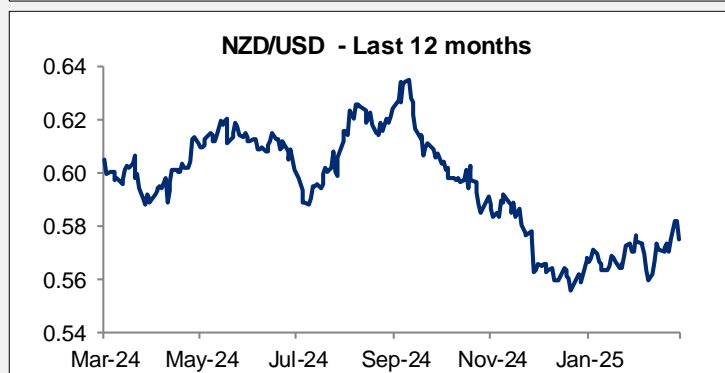
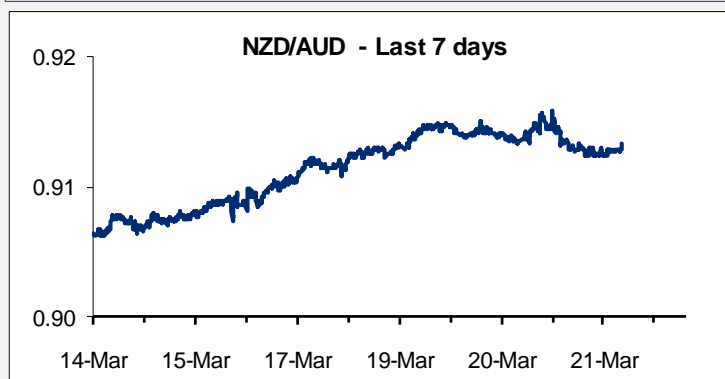
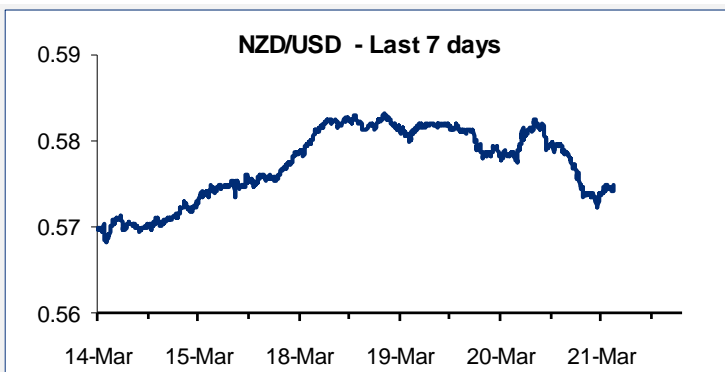
Source: Bloomberg, BNZ

Currencies						Equities				Commodities				
FX Majors	Indicative overnight ranges (*)				Other FX	Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day	% Year	Last	Net Day				
NZD	0.5749	-1.1	0.5723	0.5789	CHF	0.8821	+0.5	S&P 500	5,661	-0.3	8.4	Oil (Brent)	71.94	+1.6
AUD	0.6295	-1.0	0.6271	0.6342	SEK	10.143	+0.4	Dow	41,903	-0.2	6.1	Oil (WTI)	68.23	+1.6
EUR	1.0844	-0.5	1.0815	1.0899	NOK	10.561	-0.0	Nasdaq	17,669	-0.5	7.9	Gold	3047.0	+0.2
GBP	1.2963	-0.3	1.2936	1.2996	HKD	7.773	+0.0	Stoxx 50	5,451	-1.0	9.0	HRC steel	938.0	+0.1
JPY	148.77	+0.0	148.18	148.96	CNY	7.249	+0.3	FTSE	8,702	-0.1	12.5	CRB	306.3	+0.7
CAD	1.4328	+0.0			SGD	1.335	+0.4	DAX	22,999	-1.2	27.7	Wheat Chic.	574.8	-0.9
NZD/AUD	0.9133	-0.2			IDR	16,485	-0.3	CAC 40	8,094	-0.9	-0.8	Sugar	20.00	+1.4
NZD/EUR	0.5302	-0.6			THB	33.76	+0.4	Nikkei	37,752	-0.2	-7.5	Cotton	66.02	-0.5
NZD/GBP	0.4435	-0.8			KRW	1,468	+0.3	Shanghai	3,409	-0.5	10.8	Coffee	392.2	+0.3
NZD/JPY	85.53	-1.1			TWD	33.01	-0.1	ASX 200	7,919	+1.2	1.8	WM powder	3930	+0.8
NZD/CAD	0.8237	-1.2			PHP	57.21	-0.1	NZX 50	12,055	+0.1	1.2	<b>Australian Futures</b>		
NZ TWI	68.20	-0.8						VIX Index	20.30	+2.0	+55.7	3 year bond	96.27	0.05
												10 year bond	95.58	0.02
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	3.80	3.82	USD	4.24	-0.00	15-Apr-27	3.58	-0.04	BKBM 1-mth	3.78	0.00	
AUD	4.10	4.12	3.68	4.32	AUD	4.37	-0.05	15-May-28	3.76	-0.04	BKBM 3-mth	3.65	-0.02	
NZD	3.75	3.65	3.44	4.13	NZD	4.59	-0.06	20-Apr-29	3.89	-0.04	1 year	3.40	-0.02	
EUR	2.50	2.41	2.29	2.67	GER	2.78	-0.02	15-May-30	4.04	-0.04	2 year	3.44	-0.02	
GBP	4.50	4.73	4.10	4.15	GBP	4.65	0.02	15-May-31	4.21	-0.05	3 year	3.53	-0.02	
JPY	0.48	-0.03	0.85	1.36	JPY	1.52	0.00	15-May-32	4.34	-0.05	5 year	3.72	-0.02	
CAD	2.75	4.97	2.39	2.74	CAD	3.00	0.00	14-Apr-33	4.43	-0.06	7 year	3.91	-0.03	
								15-May-34	4.51	-0.06	10 year	4.13	-0.03	
								15-May-35	4.59	-0.06	15 year	4.38	-0.04	
								15-May-36	4.68	-0.06	<b>NZ Inflation-Indexed Bonds</b>			
								15-May-37	4.80	-0.06	Sep-30	2.26	-0.02	
								15-May-41	5.01	-0.06	Sep-35	2.75	-0.02	
								15-May-51	5.18	-0.05	Sep-40	3.04	-0.02	
								15-May-54	5.19	-0.05				

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 06:57  
 Source: Bloomberg

**NZD exchange rates**

21/03/2025 6:57 am		Prev. NY close
USD	0.5749	0.5815
GBP	0.4435	0.4472
AUD	0.9133	0.9147
EUR	0.5302	0.5333
JPY	85.53	86.46
CAD	0.8237	0.8331
CHF	0.5071	0.5104
DKK	3.9543	3.9785
FJD	1.3192	1.3365
HKD	4.4685	4.5187
INR	49.65	50.27
NOK	6.0713	6.1416
PKR	161.08	162.97
PHP	32.90	33.32
PGK	2.3446	2.3495
SEK	5.8313	5.8751
SGD	0.7677	0.7737
CNY	4.1676	4.2039
THB	19.37	19.56
TOP	1.3630	1.3835
VUV	70.53	71.38
WST	1.6024	1.6152
XPF	63.13	63.73
ZAR	10.4374	10.5381



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	3.59	3.85
3 Months	11.89	12.38
6 Months	24.70	25.70
9 Months	35.01	37.09
1 Year	42.70	45.70

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	3.38	3.94
3 Months	11.85	13.05
6 Months	24.85	27.52
9 Months	35.06	39.92
1 Year	42.72	50.37

## Contact Details

### BNZ Research

**Stephen Toplis**  
Head of Research

**Doug Steel**  
Senior Economist

**Jason Wong**  
Senior Markets Strategist

**Stuart Ritson**  
Senior Interest Rate Strategist

**Matt Brunt**  
Economist

**Mike Jones**  
BNZ Chief Economist  
+64 9-956 0795

### Main Offices

**Wellington**  
Level 4, Spark Central  
42-52 Willis Street  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**  
80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**  
111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.