

Research Markets Today

23 January 2025

Events Round-Up

NZ: CPI (q/q%), Q4: 0.5 vs. 0.5 exp.

NZ: CPI (y/y%), Q4: 2.2 vs. 2.1 exp.

NZ: CPI non tradeable (q/q%), Q4: 0.7 vs. 0.8 exp.

Good Morning

It has been an uneventful trading session overnight, with no key economic releases and nothing new to drive the market.

The S&P500 is up 0.8%, on track to break the early-December record high, powered by a 2.3% gain in the IT sector. This followed yesterday's "massive" announcement of President Trump unveiling a \$100b AI infrastructure project that could rise to \$500b, in partnership with Softbank, Oracle, OpenAI and others. However, there are already doubts about the scale of the project or whether it will get off the ground, with Elon Musk saying "they don't actually have the money" referring to some of the partners. Gains for the S&P are narrow and most sectors show falls.

US Treasuries have traded a narrow range, with the 10-year rate currently sitting at the top of the range at 4.61%, a touch higher from the NZ close, after a fall to an overnight low of 4.55%.

President Trump continues to threaten to raise import tariffs in off-the-cuff comments. Yesterday, at an event at the White House Trump said "we're talking about a tariff of 10% on China, based on the fact that they're sending fentanyl to Mexico and Canada". He added, "it's not just China...we have a \$350b deficit with the EU...they treat us very very badly, so they're going to be in for tariffs". Any mention by Trump on tariffs gets the attention of the market, but the blip in currencies proved short lived.

Trump's "America First Trade Policy" focuses on 1 April as a key date for the conclusion of the various trade reviews and consultation reports to be delivered to President Trump, so all this chatter could continue for another couple of months without any concrete action.

Currency movements have been modest. The NZD has been sticky around the 0.5665 mark, little changed from this time yesterday as are most of the majors. AUD is 0.6275 and NZD/AUD is 0.9030. JPY is the weakest of the majors for no obvious reason. A 25bps BoJ rate hike tomorrow is well-priced and wouldn't surprise the market. NZD/JPY is up ½% to 88.75.

Yesterday, NZ Q4 CPI data were broadly in line with market expectations, even if annual inflation remained steady at 2.2% rather than ticking down further. All annual core measures fell further and averaged 2.6% on six measures we look at. Non-tradeables inflation of 0.7% q/q was the weakest in nearly four years. One red flag was the seasonally adjusted CPI rising by a chunky 0.8% q/q, breaking a downward trend, a sign that the disinflation process could well be over.

The domestic rates market was relieved by the inflation report and rates initially fell, before reversing course into the close. The result was only small net changes in rates on the day. NZGB yields were flat to down 2bps across the curve. Today the market will have to absorb a lot of duration risk at the weekly bond tender. The 2-year swap rate fell 1bp to 3.54% while the 10-year rate rose 1bp to 4.16%. There is a strong market consensus that the RBNZ will deliver another 50bps cut at the 19-February meeting, with 48bps priced at the close.

In the day ahead there is only second-tier data – NZ migration today and overnight Canadian retail sales, US weekly jobless claims and euro area consumer confidence.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Net migration	Nov		2790	10:45
CA	Retail sales ex auto (m/m%)	Nov	0.1	0.1	02:30
US	Initial jobless claims (k)	18-Jan	220	217	02:30
EC	Consumer confidence	Jan	-14.1	-14.5	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	% Day	% Year	Last	Net Day				
NZD	0.5669	-0.2	0.5649	0.5688	CHF	0.9067	+0.1	S&P 500	6,098	+0.8	25.7	Oil (Brent)	79.51	+0.3	
AUD	0.6277	+0.0	0.6253	0.6296	SEK	11.003	+0.2	Dow	44,127	+0.2	16.1	Oil (WTI)	75.99	+0.2	
EUR	1.0417	-0.1	1.0400	1.0457	NOK	11.271	-0.2	Nasdaq	20,048	+1.5	30.5	Gold	2769.6	+0.4	
GBP	1.2320	-0.2	1.2308	1.2376	HKD	7.789	+0.0	Stoxx 50	5,206	+0.8	16.2	HRC steel	688.0	-0.4	
JPY	156.60	+0.7	155.55	156.71	CNY	7.276	+0.2	FTSE	8,545	-0.0	14.1	CRB	308.9	-0.7	
CAD	1.4367	+0.3			SGD	1.356	+0.2	DAX	21,254	+1.0	27.4	Wheat Chic.	565.5	-1.0	
NZD/AUD	0.9031	-0.2			IDR	16,280	-0.4	CAC 40	7,837	+0.9	5.7	Sugar	18.13	+2.0	
NZD/EUR	0.5442	-0.1			THB	33.89	-0.2	Nikkei	39,646	+1.6	8.6	Cotton	67.56	-0.1	
NZD/GBP	0.4601	+0.0			KRW	1,436	+0.0	Shanghai	3,214	-0.9	16.0	Coffee	341.6	+4.1	
NZD/JPY	88.78	+0.5			TWD	32.78	+0.1	ASX 200	8,430	+0.3	12.2	WM powder	4010	+2.6	
NZD/CAD	0.8145	+0.1			PHP	58.51	+0.0	NZX 50	13,037	-0.1	10.5	Australian Futures			
NZ TWI	67.88	-0.2						VIX Index	15.09	+0.2	+14.4	3 year bond	96.09	-0.05	
Interest Rates													10 year bond	95.49	-0.06
	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	4.61	0.03	15-Apr-27	3.69	-0.01	BKBM 1-mth	4.31	-0.04		
AUD	4.35	4.33	3.91	4.50	AUD	4.46	0.06	15-May-28	3.82	-0.01	BKBM 3-mth	4.05	-0.01		
NZD	4.25	4.05	3.54	4.16	NZD	4.66	-0.00	20-Apr-29	3.95	-0.02	1 year	3.62	-0.02		
EUR	3.00	2.68	2.35	2.49	GER	2.53	0.02	15-May-30	4.08	-0.02	2 year	3.54	-0.01		
GBP	4.75	5.30	4.22	4.11	GBP	4.63	0.04	15-May-31	4.24	-0.02	3 year	3.59	-0.02		
JPY	0.23	-0.03	0.71	1.13	JPY	1.20	0.01	15-May-32	4.39	-0.02	5 year	3.75	-0.01		
CAD	3.25	4.97	2.82	3.06	CAD	3.30	0.04	14-Apr-33	4.50	-0.01	7 year	3.94	0.00		
								15-May-34	4.58	-0.00	10 year	4.16	0.01		
								15-May-35	4.66	-0.00	15 year	4.41	0.02		
								15-May-36	4.74	-0.00					
								15-May-37	4.84	0.00					
								15-May-41	5.04	-0.00					
								15-May-51	5.20	-0.01					
								15-May-54	5.20	-0.00					

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:52

Source: Bloomberg

NZD exchange rates

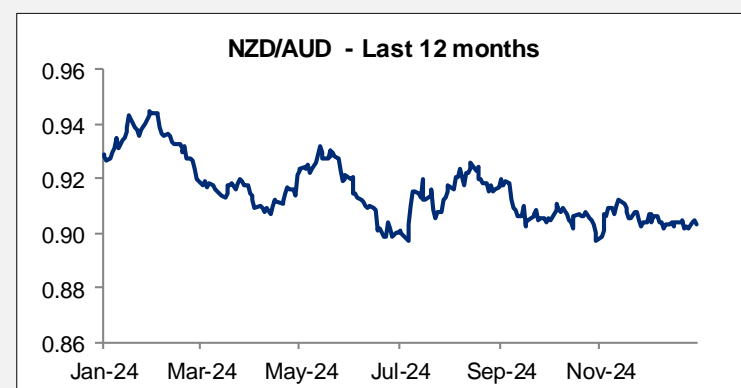
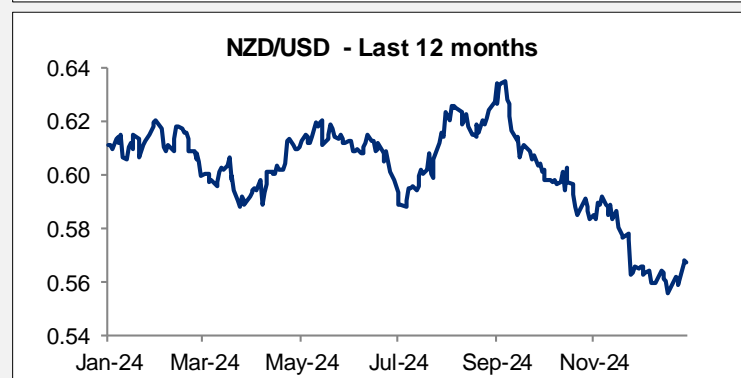
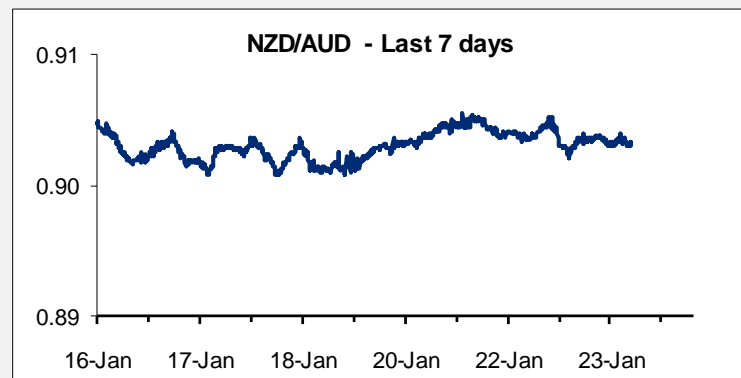
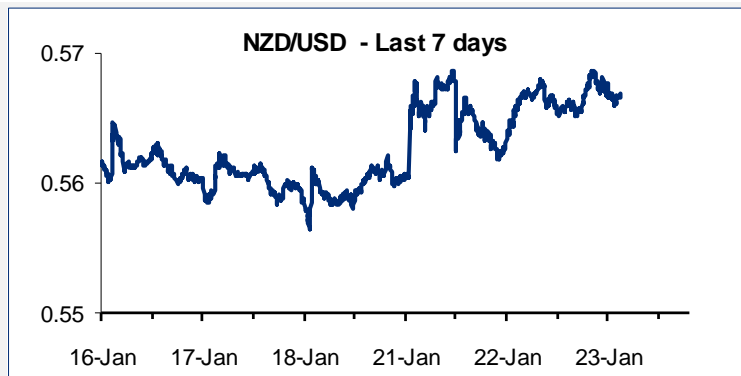
23/01/2025 6:52 am		Prev. NY close
USD	0.5669	0.5679
GBP	0.4601	0.4598
AUD	0.9031	0.9052
EUR	0.5442	0.5446
JPY	88.78	88.32
CAD	0.8145	0.8133
CHF	0.5138	0.5145
DKK	4.0561	4.0633
FJD	1.3198	1.3213
HKD	4.4099	4.4212
INR	48.88	49.17
NOK	6.3856	6.4128
PKR	157.70	158.37
PHP	33.13	33.22
PGK	2.2702	2.2771
SEK	6.2369	6.2378
SGD	0.7677	0.7683
CNY	4.1184	4.1261
THB	19.15	19.37
TOP	1.3746	1.3794
VUV	70.40	69.31
WST	1.5927	1.5939
XPF	65.53	65.68
ZAR	10.4756	10.5079

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.19	1.40
3 Months	7.40	7.84
6 Months	19.41	20.51
9 Months	32.70	34.70
1 Year	46.40	49.40

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.57	2.15
3 Months	8.87	9.99
6 Months	22.77	25.54
9 Months	37.28	42.47
1 Year	52.28	60.20



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