

# Research Markets Today

25 February 2025

## **Events Round-Up**

NZ: Retail Sales Ex Inflation (q/q%), 4Q: 0.9 vs. 0.5 exp. GE: IFO Expectations, Feb: 85.4 vs. 85 exp.

## **Good morning**

After the selloff into the end of last week, US equity futures recovered in Asian trade, but the earlier rebound wasn't sustained after a soft regional manufacturing survey. The S&P is little changed in afternoon trading. Stocks in Europe also declined with the Euro Stoxx index closing 0.7% lower. US treasuries rallied and the US dollar made gains against G10 currencies. Brent crude prices edged higher towards US\$75 per barrel.

The Ifo expectations index increased to 85.4, above consensus expectations. Germany's economy has faced cyclical and structural headwinds, but measures of activity have firmed modestly in recent months. The outlook for the economy will be impacted by potential introduction of US tariffs and the ability to form a stable coalition after the election on Sunday.

Market pricing for the European Central Bank (ECB) remained steady. A 25bp cut is fully discounted for next week and a total of 80bp of easing by the end of the year. National Bank of Belgium Governor, Pierre Wunsch, said there is still room to cut rates, but at some point, the Bank may need to pause if economic activity picks up or if inflation isn't falling as quickly as expected. European bonds were little changed with 10-year bund yields closing at 2.47%.

US treasury yields moved modestly lower in line with equities, after the Dallas Fed manufacturing index undershot consensus expectations, which continued the recent run of softer activity data. 10-year treasuries traded to a low of 4.39%, which corresponds with the bottom of the 2025 range.

The euro made initial gains as currency markets opened yesterday, after the centre-right bloc won federal elections in Germany, which suggested it wouldn't take too long to

form a government. However, the move higher faded overnight, and EUR/USD has retraced to fill the gap from Friday's close. The US dollar is broadly stronger against G10 currencies in offshore trade which contributed to a modest NZD/USD pullback towards 0.5740.

NZ retail sales volumes increased 0.9% in the December quarter beating consensus estimates for a 0.5% increase. It is worth noting however that retail sales volumes are still 9.1% below the peak level from mid-2021. This is the first partial indicator for Q4 GDP which is released on 20 March. We have edged our GDP forecast higher to 0.2% q/q from 0.1%, which is trivially below the RBNZ's 0.3% projection from the Monetary Policy Statement last week.

NZ fixed income yields moved lower in the local session yesterday catching up with the global rally into the end of last week. 2-year swap rates dipped 3bp to 3.56%. The long end outperformed flattening the curve with 10-year rates closing 6bp lower at 4.21%.

Government bonds largely matched the move in the swap curve. 10-year NZGB yields closed 5bp lower at 4.63%. Australian 10y bond futures are 2bp lower in yield terms since the local close yesterday, implying a modest downside bias, for NZ yields on the open.

There is no domestic data of note today. Euro area negotiated wages are released this evening. This indicator spiked in Q3 which was partly attributed to base effects. The higher frequency European Central Bank wage tracker suggests wage growth is near 4.7% and the Bank expects wages will ease in 2025. The Conference Board measure of US consumer confidence is scheduled overnight.

## stuart.ritson@bnz.co.nz

#### **Coming Up**

		Period	Cons.	Prev.	NZT		
EC	EZ Indicator of Negotiated Wage	Rates			23:00		
US	Conf. Board Cons. Confidence	Feb	102.7	104.1	04:00		
Source: Bloomberg, BNZ							

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Currenci	ies							Equities				Commoditie	s	
FX Majors Indicative overnight ranges (*)		Other FX		Major Indic	Major Indices			Price (Near futures, except CRB)						
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day
NZD	0.5743	+0.0	0.5732	0.5761	CHF	0.8970	-0.1	S&P 500	6,013	+0.0	18.2	Oil (Brent)	74.84	+0.5
AUD	0.6359	+0.0	0.6344	0.6382	SEK	10.652	+0.0	Dow	43,593	+0.4	11.4	Oil (WTI)	70.82	+0.6
EUR	1.0475	+0.2	1.0453	1.0516	NOK	11.112	-0.3	Nasdaq	19,440	-0.4	21.5	Gold	2942.6	+0.2
GBP	1.2638	+0.0	1.2612	1.2675	HKD	7.775	+0.1	Stoxx 50	5,454	-0.4	11.9	HRC steel	779.0	+0.1
JPY	149.62	+0.2	149.19	149.87	CNY	7.247	-0.1	FTSE	8,659	-0.0	12.4	CRB	311.2	-1.7
CAD	1.4226	+0.0			SGD	1.338	+0.1	DAX	22,426	+0.6	28.7	Wheat Chic.	590.8	-2.3
NZD/AUD	0.9031	-0.0			IDR	16,278	-0.2	CAC 40	8,091	-0.8	1.6	Sugar	21.20	-0.5
NZD/EUR	0.5483	-0.1			THB	33.52	-0.1	Nikkei	38,777	+0.3	-0.8	Cotton	66.63	+1.1
NZD/GBP	0.4544	-0.0			KRW	1,430	-0.3	Shanghai	3,373	-0.2	12.3	Coffee	383.0	-1.8
NZD/JPY	85.93	+0.3			TWD	32.71	-0.2	ASX 200	8,308	+0.1	8.7	WM powder	3925	-1.9
NZD/CAD	0.8170	+0.0			PHP	57.82	-0.2	NZX 50	12,532	-1.7	6.9	Australian Fu	itures	
NZ TWI	68.18	-0.0						VIX Index	17.94	-1.5	+30.5	3 year bond	96.14	0.07
Interest I	Rates											10 year bond	95.54	0.03
Rates Swap Yields			Benchm	nark 10 Y	r Bonds	NZ Governn	nent Bonds	3		NZ BKBM and	d Swap Yi	elds		
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day	_		Last	Chg		Last	Chg
USD	4.50	4.85	4.02	4.01	USD	4.40	-0.03	15-Apr-27		3.73	-0.03	BKBM 1-mth	3.87	0.00
AUD	4.10	4.13	3.81	4.43	AUD	4.44	-0.07	15-May-28		3.88	-0.03	BKBM 3-mth	3.75	-0.02
NZD	3.75	3.75	3.56	4.21	NZD	4.63	-0.05	20-Apr-29		4.00	-0.03	1 year	3.49	-0.00
EUR	2.75	2.52	2.22	2.42	GER	2.48	0.01	15-May-30		4.14	-0.04	2 year	3.56	-0.03
GBP	4.50	5.30	4.09	4.09	GBP	4.56	-0.01	15-May-31		4.28	-0.04	3 year	3.66	-0.04
JPY	0.48	-0.03	0.82	1.27	JPY	1.43	0.00	15-May-32		4.39	-0.05	5 year	3.82	-0.05
CAD	3.00	4.97	2.64	2.89	CAD	3.10	-0.01	14-Apr-33		4.46	-0.04	7 year	4.00	-0.05
								15-May-34		4.54	-0.05	10 year	4.21	-0.06
								15-May-35		4.63	-0.05	15 year	4.45	-0.06
					NZ Infla	tion-Inde	xed Bonds	15-May-36		4.70	-0.06			
* These are indicative ranges from 5pm NZT; Sep-30 2.33 -0.04			15-May-37		4.80	-0.06								
please confirm rates with your BNZ dealer Sep-35 2.81 -0.05				15-May-41		5.00	-0.06							
Rates are as of: NZT 06:15 Sep-40 3.09 -0.04					15-May-51		5.16	-0.06						
Source: Bloomberg					15-May-54		5.17	-0.06						

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0.58

0.57

NZD exchange rates								
25/02/2025	6:15 am	Prev. NY close						
USD	0.5743	0.5742						
GBP	0.4544	0.4546						
AUD	0.9031	0.9033						
EUR	0.5483	0.5491						
JPY	85.93	85.71						
CAD	0.8170	0.8167						
CHF	0.5151	0.5158						
DKK	4.0902	4.0953						
FJD	1.3266	1.3249						
HKD	4.4650	4.4617						
INR	49.80	49.79						
NOK	6.3816	6.4008						
PKR	160.61	160.46						
PHP	33.21	33.27						
PGK	2.3298	2.3294						
SEK	6.1171	6.1156						
SGD	0.7685	0.7675						
CNY	4.1621	4.1643						
THB	19.24	19.30						
TOP	1.3577	1.3568						
VUV	70.90	70.98						
WST	1.5978	1.6020						
XPF	65.83	65.61						
ZAR	10.5401	10.5563						

# 0.56 18-Feb 21-Feb 19-Feb 20-Feb NZD/AUD - Last 7 days 0.91 0.90 0.89

19-Feb

20-Feb

18-Feb

0.90

0.88

0.86 Feb-24

Apr-24

Jun-24

#### NZD/USD - Last 12 months 0.64 0.62 0.60 0.58 0.56 0.54 Feb-24 Oct-24 Dec-24 Apr-24 Jun-24 Aug-24

21-Feb

NZD/USD - Last 7 days

22-Feb

22-Feb

25-Feb

25-Feb





Aug-24

Oct-24

Dec-24

# **NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	2.72	2.90
3 Months	10.50	10.90
6 Months	24.09	25.11
9 Months	36.54	38.54
1 Year	46 96	49 94

### **NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	2.28	2.70
3 Months	10.52	11.56
6 Months	24.82	27.49
9 Months	36.89	42.09
1 Year	47.08	55.25

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# **Contact Details**

### **BNZ Research**

**Stephen Toplis** 

Head of Research +64 4 474 6905 **Doug Steel** 

Senior Economist +64 4 474 6923 **Jason Wong** 

Senior Markets Strategist +64 4 924 7652 **Stuart Ritson** 

Senior Interest Rate Strategist +64 9 9248601

#### **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

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