

Research Markets Today

26 February 2025

Events Round-Up

EA: Indicator of negotiated wages, Q4: 4.1 vs. 5.4 prev.

US: Conf. Board consumer confid., Feb: 98.3 vs. 102.7 exp.

Good Morning

Risk sentiment has weakened further, evident in price action across most markets. US equities are weaker for a fourth day, US Treasury yields have fallen to fresh 2025 lows, with the 10-year rate down some 10bps. JPY has outperformed and commodity currencies have underperformed, although falls have been modest, with the NZD tracking down towards 0.57.

Risk appetite began to fall late last week and continues to track lower. US equities are on track for a fourth consecutive day of losses. The S&P500 was down 1.2% in early trading but losses have been pared to around ½% in early afternoon trading. Falls have been led by the IT and cyclical sectors, while defensive sectors such as Consumer Staples and Real Estate are stronger. European equities continue to outperform, with the Euro Stoxx 600 index closing slightly higher.

Driving down risk appetite appears to be the combination of rising US policy uncertainty and weaker economic data, the two being related, against the backdrop of the government's drive to cut spending, sack Federal employees and raise tariffs. A few hours after we went to print yesterday, President Trump said the tariffs scheduled to be imposed on Canada and Mexico from 4 March were "on time...moving along very rapidly". Later, Bloomberg reported that a US official said the fate of the 25% tariffs was still to be determined and noted that Trump's so-called reciprocal tariffs that could hit all countries, including Canada and Mexico, will go forward in April.

Citigroup's US economic surprise indicator continues to track lower, as economic data comes in weaker than expected. The Conference Board measure of US consumer confidence fell a chunky 7pts to 98.3 in February, a much larger fall than expected, led by a 9.3pt drop in the expectations component to an eight-month low of 72.9. Median year-ahead inflation expectations rose to an above-average 4.8%. The survey echoed the trends of the University of Michigan survey. The release noted "references to inflation and prices in general continue to rank high in write-in responses...most notably, comments

on the current administration and its policies dominated the responses".

US Treasury yields are on track for a fifth consecutive daily fall. Yields opened lower as Asia opened and have fallen steadily since. The 10-year rate traded an overnight low of 4.28%, a fresh low for 2025, and is 4.30% as we go to print, down 10bps for the day. The 2-year rate is down 8bps to 4.09%, with the weaker data and risk appetite seeing the market pricing in more chance of Fed rate cuts this year, with 59bps for the year now priced.

In currency markets, safe-havens CHF and JPY have outperformed, while commodity currencies have underperformed, although moves have been well-contained. USD/JPY lurched below 149 before recovering somewhat. CAD has been the worst performer over the past 24 hours, not helped by Trump's confirmation of forthcoming tariffs, with a 0.5% fall. The NZD has managed to keep its head above 0.57 for now, while the AUD has fallen to around 0.6330. On the crosses, NZD/JPY has seen the largest fall, down to 85.2 after dipping below 85 for the first time since August.

EUR and GBP show small gains, with some support by European yields not falling as much as the US. In economic news, the ECB's indicator of negotiated wages growth fell to 4.1% to Q4, a sharp fall from the spike up to 5.4% in Q3, with firms indicating expected pay increases of 3.6% this year. These figures are consistent with the ECB's assumption of weaker labour cost inflation that will ultimately feed into weaker services CPI inflation.

The risk-off backdrop hasn't been kind to Bitcoin or other cryptocurrencies. Bitcoin tumbled to a level just below \$86k and is currently down 7% to just over \$87k. Oil prices are down around 2½%, with Brent crude trading just below USD73 a barrel.

Yesterday, domestic rates were dragged lower by global forces, with NZGB yields down 3-5bps across the curve, with the 10year rate down 4bps to 4.59%. Swap rates fell 3-4bps across the curve.

On the economic calendar, Australian monthly CPI data are released today, with the series heavily weighted to goods rather than services, limiting its usefulness.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	CPI (y/y%)	Jan	2.6	2.5	13:30
AU	CPI trimmed mean (y/y%)	Jan		2.7	13:30
GE	GfK consumer confidence	Mar	-21.6	-22.4	20:00
US	New home sales (m/m%)	Jan	-2.6	3.6	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	0.5715	-0.3	0.5706	0.5739	CHF	0.8926	-0.5	S&P 500	5,955	-0.5	17.0	Oil (Brent)	72.86	-2.6
AUD	0.6333	-0.3	0.6322	0.6356	SEK	10.605	-0.5	Dow	43,587	+0.3	11.4	Oil (WTI)	68.85	-2.6
EUR	1.0500	+0.3	1.0456	1.0519	NOK	11.122	+0.1	Nasdaq	19,072	-1.1	19.2	Gold	2899.0	-1.7
GBP	1.2660	+0.3	1.2606	1.2678	HKD	7.774	-0.0	Stoxx 50	5,448	-0.1	11.8	HRC steel	779.0	+0.1
JPY	149.07	-0.4	148.57	149.96	CNY	7.250	+0.1	FTSE	8,669	+0.1	12.5	CRB	308.5	-0.9
CAD	1.4295	+0.2			SGD	1.338	-0.1	DAX	22,410	-0.1	28.7	Wheat Chic.	585.8	-1.3
NZD/AUD	0.9024	-0.1			IDR	16,371	+0.6	CAC 40	8,051	-0.5	1.1	Sugar	21.47	+1.8
NZD/EUR	0.5443	-0.6			THB	33.84	+1.0	Nikkei	38,238	-1.4	-2.5	Cotton	66.08	-0.6
NZD/GBP	0.4514	-0.6			KRW	1,434	+0.3	Shanghai	3,346	-0.8	12.4	Coffee	375.3	-2.5
NZD/JPY	85.19	-0.8			TWD	32.80	+0.3	ASX 200	8,252	-0.7	7.8	WM powder	3860	-1.7
NZD/CAD	0.8170	-0.1			PHP	57.94	+0.2	NZX 50	12,307	-1.8	5.1	Australian Futures		
NZ TWI	67.94	-0.2						VIX Index	19.54	+3.0	+42.1	3 year bond	96.18	0.04
Interest Rates										10 year bond			95.62	0.07
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	3.93	3.89	USD	4.30	-0.10	15-Apr-27	3.70	-0.04	BKBM 1-mth	3.87	0.00	
AUD	4.10	4.12	3.77	4.36	AUD	4.40	-0.04	15-May-28	3.85	-0.03	BKBM 3-mth	3.75	0.00	
NZD	3.75	3.75	3.53	4.17	NZD	4.59	-0.04	20-Apr-29	3.97	-0.04	1 year	3.48	-0.01	
EUR	2.75	2.52	2.19	2.38	GER	2.46	-0.02	15-May-30	4.10	-0.04	2 year	3.53	-0.03	
GBP	4.50	5.30	4.04	4.01	GBP	4.51	-0.06	15-May-31	4.24	-0.04	3 year	3.62	-0.03	
JPY	0.48	-0.03	0.79	1.22	JPY	1.37	-0.06	15-May-32	4.35	-0.04	5 year	3.79	-0.03	
CAD	3.00	4.97	2.55	2.78	CAD	3.00	-0.07	14-Apr-33	4.42	-0.04	7 year	3.96	-0.04	
						NZ Inflation-Indexed Bonds		15-May-34	4.50	-0.04	10 year	4.17	-0.04	
						Sep-30	2.34	0.01	15-May-35	4.59	-0.04	15 year	4.41	-0.04
						Sep-35	2.83	0.01	15-May-36	4.66	-0.04			
						Sep-40	3.10	0.00	15-May-37	4.75	-0.04			
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer								15-May-41	4.95	-0.04				
Rates are as of: NZT 06:56								15-May-51	5.12	-0.04				
Source: Bloomberg								15-May-54	5.12	-0.05				

NZD exchange rates

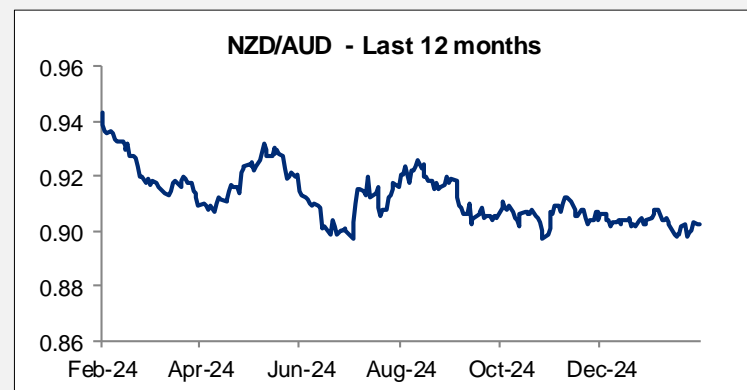
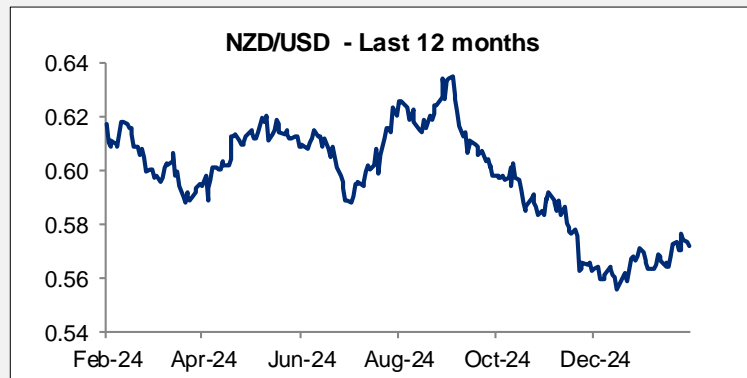
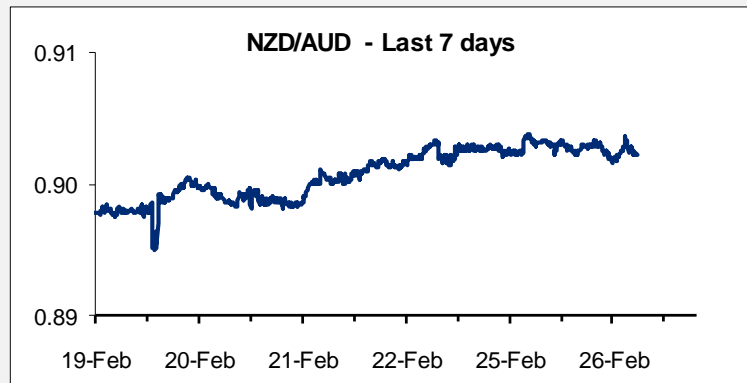
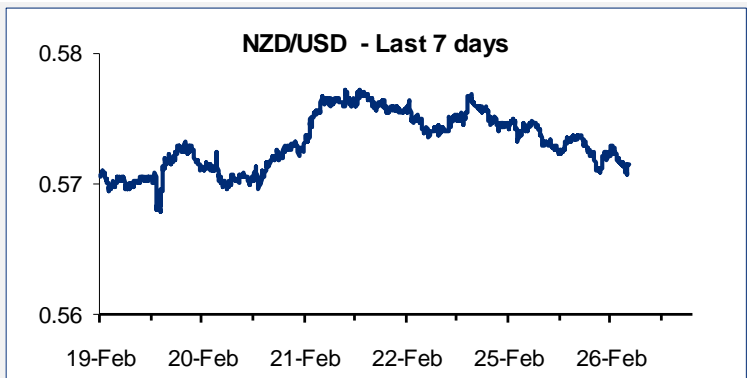
26/02/2025	6:56 am	Prev. NY close
USD	0.5715	0.5733
GBP	0.4514	0.4541
AUD	0.9024	0.9028
EUR	0.5443	0.5477
JPY	85.19	85.83
CAD	0.8170	0.8175
CHF	0.5101	0.5143
DKK	4.0600	4.0853
FJD	1.3217	1.3265
HKD	4.4431	4.4573
INR	49.84	49.71
NOK	6.3563	6.3723
PKR	159.83	160.33
PHP	33.11	33.15
PGK	2.2952	2.3258
SEK	6.0605	6.1125
SGD	0.7644	0.7675
CNY	4.1435	4.1543
THB	19.26	19.21
TOP	1.3511	1.3595
VUV	70.51	70.77
WST	1.5903	1.5951
XPF	65.43	65.74
ZAR	10.5489	10.5387

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.66	2.96
3 Months	10.26	10.76
6 Months	23.35	24.62
9 Months	35.40	37.40
1 Year	44.09	47.09

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.12	2.79
3 Months	10.24	11.45
6 Months	23.96	27.20
9 Months	36.40	41.47
1 Year	45.42	52.97



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