

# Research Markets Today

27 February 2025

## Events Round-Up

AU: CPI (y/y%), Jan: 2.5 vs. 2.6 exp.

AU: CPI trimmed mean (y/y%), Jan: 2.8 vs. 2.7 prev.

GE: GfK consumer confidence, Mar: -24.7 vs. -21.6 exp.

US: New home sales (m/m%), Jan: -10.5 vs. -2.6 exp.

## Good Morning

Newsflow has been light but in breaking news Trump said Canada and Mexico tariffs – proposed at 25% – would go into effect 2 April. This is yet another pushback, from the original 1 February start date that was subsequently pushed out to 4 March. The timing of 2 April would coincide with the proposed start date for a whole host of other tariffs, subject to the various trade reports that will land on Trump’s desk due 1 April. Trump also said tariffs on products from the EU like autos and “other things” will be 25%. Other details will be forthcoming.

These tariff imposts are worse than assumed in the lead-up to the election, but the market still seems to be holding out hope that they will not proceed. This a dangerous assumption. Trump’s update on tariffs caused a little ripple in the market, but it’s fair to say that the tariffs are nowhere near fully priced.

For the day, there have only been small changes in rates and currency markets. US equities have broken their run of four consecutive down days, with the S&P500 recovering 0.4% in early afternoon trading, albeit with some paring of earlier gains after Trump’s update. Focus is on Nvidia’s earnings result which is released after the close this morning. Ahead of that release, its stock price is up over 4%, amidst broader gains in the IT sector. In a flip from recent days, IT and cyclical stocks are outperforming today.

After five consecutive days of falling yields for the 10-year rate, US Treasuries are consolidating, although the yield is down slightly for the day. A small lift during NZ trading hours has reversed overnight, leaving the yield at just over 4.27%, down 4bps from the NZ close and a fresh 2025 low.

There has been little economic data, but US new home sales plunged 10.5% in January from an upwardly revised December. The coldest January since 1988 contributed to the weak figure.

Republicans narrowly voted in favour of a Budget blueprint, that paves the way for extending the 2017 tax cuts and reduced spending. The Budget won’t accommodate all of Trump’s desired tax cuts and the vote is only a small step in the process. The Senate is likely to alter the plans and there is likely to be numerous reiterations before any deal is settled.

Currency markets show small net movements. The NZD dipped below 0.57 overnight but is currently just over that figure, down slightly from this time yesterday. The AUD fell to 0.63 before recovering a little. NZD/AUD is flat around 0.9030. GBP has been the strongest of the majors, making a run for 1.27, seeing NZD/GBP fall to just under 0.45. The CAD is flat for the day, reversing an earlier modest fall after Trump’s tariff update. EUR fell from just over 1.05 to just under 1.05, following Trump’s tariff update.

In other news, Bloomberg reported that China plans to start re-capitalising three of its biggest banks in coming months, following through on a broad stimulus package unveiled last year to shore up the struggling economy. Authorities are looking to inject at least 400 billion yuan (\$USD55b) of fresh capital into the first batch, completed as soon as the end of June.

Yesterday, monthly Australian CPI data – showing inflation flat at 2.5% y/y and the trimmed mean ticking up to 2.8% y/y – didn’t move the needle. Of note, the detail showed reduced inflation for the housing components, paving the way for weaker quarterly inflation and another RBA rate cut likely in May.

The NZDM’s announcement yesterday morning that it is expected to syndicate a tap of the existing May 2032 bond by the end of April was a surprise in terms of timing, coming hot on the heels of the recent \$5.5b tap of 2035 bonds. NZDM said the volume will not be limited by the \$40b FY2025 bond programme forecast and may prefund some of the FY2026 programme. This saw NZGBs underperform on a cross-market basis and relative to swaps. Against a backdrop of lower global rates, NZGB yields showed little change across most of the curve (plus or minus 1bp), apart from a 3-4bps lift in the ultra-long bonds. Meanwhile, swap rates fell 2-4bps across the curve.

On the calendar today, the ANZ NZ business outlook survey is released. Tonight, for the US, the second estimate of Q2 GDP, is released expected to remain unchanged at an

annualised 2.3%, alongside durable goods orders, jobless claims and pending home sales.

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### Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ activity outlook (net%)	Feb		45.8	13:00
EC	Economic confidence	Feb	95.9	95.2	23:00
US	GDP (ann'lsd q/q%, 2nd est.)	Q4	2.3	2.3	02:30
US	Durable goods orders (m/m%)	Jan	2.0	-2.2	02:30
US	Durables ex transp. (m/m%)	Jan	0.3	0.3	02:30
US	Initial Jobless Claims	22-Feb	221	219	02:30
US	Pending home sales (m/m%)	Jan	-0.8	-5.5	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	0.5706	-0.3	0.5688	0.5721	CHF	0.8942	+0.1	S&P 500	5,984	+0.5	18.0	Oil (Brent)	72.72	-0.5		
AUD	0.6318	-0.4	0.6300	0.6339	SEK	10.639	+0.4	Dow	43,497	-0.3	11.3	Oil (WTI)	68.75	-0.3		
EUR	1.0492	-0.2	1.0475	1.0529	NOK	11.144	+0.3	Nasdaq	19,145	+0.6	19.8	Gold	2914.1	+0.3		
GBP	1.2684	+0.1	1.2636	1.2716	HKD	7.773	-0.0	Stoxx 50	5,528	+1.5	13.6	HRC steel	904.0	-0.3		
JPY	149.14	+0.1	149.02	149.89	CNY	7.256	+0.1	FTSE	8,731	+0.7	13.6	CRB	306.5	-0.6		
CAD	1.4315	+0.0			SGD	1.338	+0.1	DAX	22,794	+1.7	30.8	Wheat Chic.	581.3	-1.1		
NZD/AUD	0.9031	+0.1			IDR	16,381	+0.1	CAC 40	8,144	+1.2	2.7	Sugar	20.54	-4.3		
NZD/EUR	0.5438	-0.1			THB	33.73	-0.2	Nikkei	38,142	-0.2	-2.8	Cotton	65.95	-0.0		
NZD/GBP	0.4499	-0.5			KRW	1,434	-0.0	Shanghai	3,380	+1.0	12.1	Coffee	373.1	-0.7		
NZD/JPY	85.10	-0.3			TWD	32.80	+0.0	ASX 200	8,241	-0.1	7.5	WM powder	3825	-0.9		
NZD/CAD	0.8168	-0.3			PHP	57.89	-0.1	NZX 50	12,452	+1.2	6.5	<b>Australian Futures</b>				
NZ TWI	67.86	-0.2						VIX Index	18.71	-3.7	+36.2	3 year bond	96.20	0.02		
<b>Interest Rates</b>												10 year bond			95.63	0.01
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	3.95	3.86	USD	4.28	-0.02	15-Apr-27	3.68	-0.01	BKBM 1-mth	3.87	0.00			
AUD	4.10	4.12	3.77	4.33	AUD	4.36	-0.04	15-May-28	3.84	-0.01	BKBM 3-mth	3.76	0.01			
NZD	3.75	3.76	3.51	4.13	NZD	4.59	0.00	20-Apr-29	3.96	-0.01	1 year	3.45	-0.02			
EUR	2.75	2.53	2.18	2.35	GER	2.43	-0.03	15-May-30	4.10	-0.00	2 year	3.51	-0.02			
GBP	4.50	5.30	4.04	4.01	GBP	4.50	-0.01	15-May-31	4.23	-0.00	3 year	3.59	-0.03			
JPY	0.48	-0.03	0.80	1.24	JPY	1.37	-0.01	15-May-32	4.35	0.00	5 year	3.75	-0.04			
CAD	3.00	4.97	2.56	2.78	CAD	3.00	0.01	14-Apr-33	4.43	0.00	7 year	3.92	-0.04			
						<b>NZ Inflation-Indexed Bonds</b>						10 year			4.13	-0.04
						Sep-30	2.31	-0.03	15-May-34	4.50	0.00	15 year	4.36	-0.05		
						Sep-35	2.80	-0.03	15-May-35	4.59	0.00					
						Sep-40	3.08	-0.02	15-May-36	4.67	0.00					
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer						Sep-30	2.31	-0.03	15-May-37	4.76	0.01					
Rates are as of: NZT 06:57						Sep-35	2.80	-0.03	15-May-41	4.97	0.01					
Source: Bloomberg						Sep-40	3.08	-0.02	15-May-51	5.15	0.03					
									15-May-54	5.15	0.04					

**NZD exchange rates**

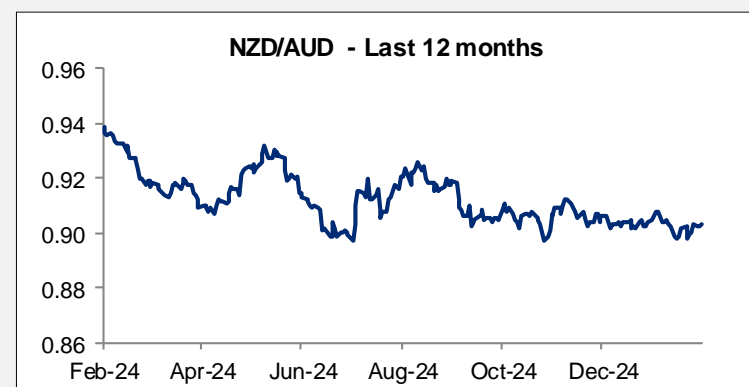
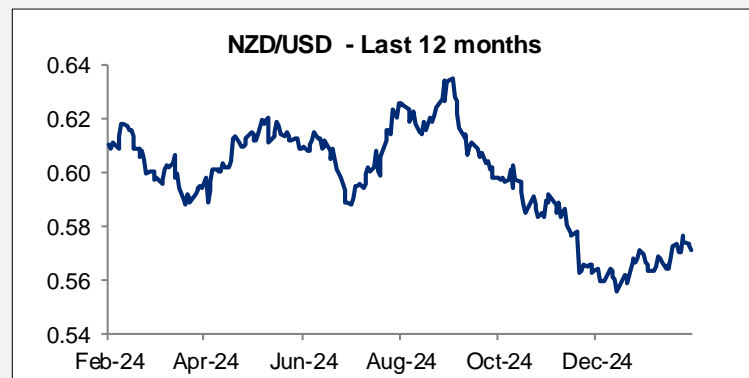
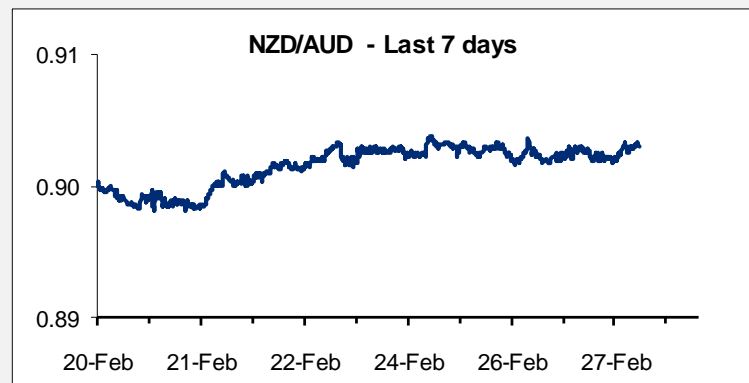
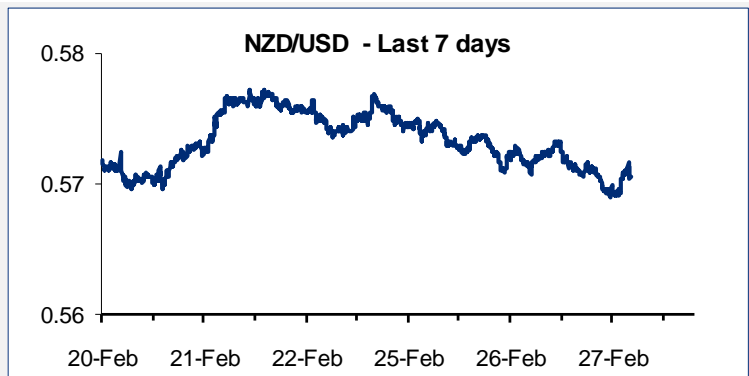
<b>27/02/2025 6:57 am</b>		<b>Prev. NY close</b>
USD	0.5706	0.5726
GBP	0.4499	0.4521
AUD	0.9031	0.9026
EUR	0.5438	0.5446
JPY	85.10	85.33
CAD	0.8168	0.8196
CHF	0.5102	0.5113
DKK	4.0559	4.0624
FJD	1.3193	1.3248
HKD	4.4353	4.4513
INR	49.76	49.65
NOK	6.3587	6.3606
PKR	159.55	160.13
PHP	33.03	33.18
PGK	2.3083	2.3229
SEK	6.0707	6.0672
SGD	0.7632	0.7652
CNY	4.1402	4.1519
THB	19.23	19.30
TOP	1.3525	1.3594
VUV	70.45	70.69
WST	1.5900	1.5953
XPF	65.35	65.52
ZAR	10.4916	10.5445

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	2.97	3.17
3 Months	10.50	11.00
6 Months	23.98	25.22
9 Months	36.60	38.60
1 Year	46.60	49.60

**NZD/AUD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	2.40	2.91
3 Months	10.26	11.47
6 Months	24.40	27.59
9 Months	37.30	42.16
1 Year	47.70	55.51



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