

Research Markets Today

27 January 2025

Events Round-Up

JN: CPI (y/y%), Dec: 3.6 vs. 3.4 exp.
 JN: CPI x fr. food, energy (y/y%), Dec: 2.4 vs. 2.4 exp.
 JN: BOJ Target Rate, Jan: 0.5 vs. 0.5 exp.
 GE: Manufacturing PMI, Jan: 44.1 vs. 42.7 exp.
 GE: Services PMI, Jan: 52.5 vs. 51.0 exp.
 EC: Manufacturing PMI, Jan: 46.1 vs. 45.4 exp.
 EC: Services PMI, Jan: 51.4 vs. 51.5 exp.
 UK: Manufacturing PMI, Jan: 48.2 vs. 47.0 exp.
 UK: Services PMI, Jan: 51.2 vs. 50.8 exp.
 US: Manufacturing PMI, Jan: 50.1 vs. 49.8 exp.
 US: Services PMI, Jan: 52.8 vs. 56.5 exp.
 US: U. of Mich. consumer sentiment, Jan: 71.1 vs. 73.2 exp.
 US: U. of Mich. 5-10y inflation exp., Jan: 3.2 vs. 3.2 exp.
 US: Existing home sales (m/m%), Dec: 2.2 vs. 1.2 exp.

Good Morning

Markets navigated the first week of Trump's presidency unscathed, with little net change in Treasury yields and the S&P500 up 1.7% for the week, reaching a fresh record high in early trading before ending Friday down 0.3%. The main casualty was the USD, with the DXY index down 1.7% for the week, its largest weekly decline in 14-months.

The cause of the latter was no action on implementing tariffs, just some ongoing threats in conversations with reporters through the week. With various trade reviews and consultation reports on trade to be delivered to Trump by 1 April, fresh import tariffs might well be held off until after that date.

The second half of Trump's interview with Fox News was aired Friday afternoon NZ time and he said "I would rather not have to use it" in reference to increasing tariffs on China. That triggered fresh selling pressure for the USD, with the hit to the currency sustained for most of the trading session. USD/CNY fell towards 7.24 and the NZD rose up through 0.57. It traded an overnight high of 0.5723 Friday night before closing the week at 0.5710, for a weekly gain of 2.2%.

Data showed broadly based stronger manufacturing PMIs across the Euro area, UK and US, albeit remaining below

the 50 mark apart from the US. On the services side, gains were evident for Germany and the UK, relatively steady in the Euro area and, for a change, the US showed a notable downside surprise, the index falling a full 4 pts to 52.8. While the US PMI services level was higher than other regions, the gap in performance compared to other regions closed considerably.

These data added to USD weakness and supported the EUR and GBP, the two strongest majors in the overnight trading session, reaching above 1.05 and 1.25 respectively before fading a little.

The BoJ raised its policy rate by 25bps to 0.5%, as widely anticipated, its third rate hike this cycle, after kicking it off in March last year. Earlier in the day annual CPI inflation for December rose a higher-than-expected 3.6%, although core measures were in line, at 3.0% excluding fresh food or 2.4% excluding fresh food and energy. The BoJ still has a lot of work to do to bring the real policy rate out of deep negative territory.

The Bank upgraded its CPI inflation projections to show above target (at least 2%) inflation across the three-year projection period. Governor Ueda repeated the message "we'll raise rates and adjust policy if our outlook is realised" and he added "we have no preconception on the pace of rate hikes". Because the rate hike was so well telegraphed, there was little sustained market reaction. JPY was one of the softest of the majors for the day (and week), with USD/JPY little changed, closing very close to 156.

The NZD was modestly weaker against EUR and GBP and slightly stronger on the other key crosses., with NZD/AUD nudging up to 0.9040 and NZD/JPY closing the week just over 89.

The US 10-year Treasury yield showed little net change from the NZ close, closing the week at 4.62%. The domestic rates market showed flatter curves, with NZGB yields flat at the short end and down 4bps for the ultra long bonds. The 10-year rate closed down 3bps to 4.63%. NZ swap rates fell 1-2bps.

In the day ahead China PMI data are released, with Germany's IFO survey and US new house sales tonight. Domestic trading conditions will be very quiet with Auckland and Australia on holiday.

In the week ahead, the Fed is widely expected to hold policy steady after rate cuts over the past three meetings. Probably more interesting than Powell’s comments at the press conference will be President Trump’s reaction. The Bank of Canada is expected to dial down its rate cutting to 25bps, after 50bps cuts over recent meetings, while the ECB is widely expected to cut by 25bps again.

There are a number of top-tier global economic releases including Australian CPI, Q4 GDP figures for the US and Euro area and the US employment cost index and PCE deflator. For NZ, there might be some interest in RBNZ Chief Economist Conway’s speech on Wednesday.

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Coming Up

		Period	Cons.	Prev.	NZT
CH	Manufacturing PMI	Jan	50.1	50.1	14:30
CH	Non-manufacturing PMI	Jan	52.2	52.2	14:30
GE	IFO Expectations	Jan	85.0	84.4	22:00
US	New Home Sales	Dec	672	664	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	0.5710	+0.6	0.5699	0.5723	CHF	0.9059	-0.2	S&P 500	6,101	-0.3	24.7	Oil (Brent)	78.50	+0.3
AUD	0.6315	+0.5	0.6302	0.6331	SEK	10.925	-0.8	Dow	44,424	-0.3	16.6	Oil (WTI)	74.66	+0.1
EUR	1.0494	+0.8	1.0447	1.0522	NOK	11.194	-0.7	Nasdaq	19,954	-0.5	29.1	Gold	2778.9	+0.5
GBP	1.2484	+1.1	1.2377	1.2502	HKD	7.787	-0.0	Stoxx 50	5,219	+0.0	12.6	HRC steel	688.0	+0.0
JPY	155.97	-0.0	154.85	156.57	CNY	7.241	-0.6	FTSE	8,502	-0.7	11.4	CRB	309.8	+0.2
CAD	1.4345	-0.3			SGD	1.346	-0.6	DAX	21,395	-0.1	26.1	Wheat Chic.	558.8	-1.6
NZD/AUD	0.9042	+0.1			IDR	16,172	-0.7	CAC 40	7,928	+0.4	3.8	Sugar	19.02	+1.8
NZD/EUR	0.5441	-0.2			THB	33.61	-1.1	Nikkei	39,932	-0.1	11.7	Cotton	67.61	+0.2
NZD/GBP	0.4574	-0.5			KRW	1,430	-0.4	Shanghai	3,253	+0.7	11.8	Coffee	347.6	+1.0
NZD/JPY	89.05	+0.5			TWD	32.68	-0.3	ASX 200	8,409	+0.4	11.3	WM powder	4005	-0.1
NZD/CAD	0.8190	+0.3			PHP	58.34	-0.6	NZX 50	13,025	-0.3	9.7	Australian Futures		
NZ TWI	68.09	+0.1						VIX Index	14.85	-1.1	+12.0	3 year bond	96.10	0.01
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	USD	Last	Net Day							
USD	4.50	4.85	4.11	4.16	USD	4.62	-0.02	15-Apr-27	3.70	0.00	BKBM 1-mth	4.30	-0.00	
AUD	4.35	4.32	3.88	4.45	AUD	4.48	0.01	15-May-28	3.83	0.00	BKBM 3-mth	4.01	-0.00	
NZD	4.25	4.01	3.52	4.14	NZD	4.63	-0.03	20-Apr-29	3.94	0.00	1 year	3.60	-0.00	
EUR	3.00	2.67	2.40	2.51	GER	2.57	0.02	15-May-30	4.07	-0.01	2 year	3.52	-0.01	
GBP	4.75	5.30	4.20	4.12	GBP	4.63	-0.01	15-May-31	4.22	-0.02	3 year	3.56	-0.02	
JPY	0.23	-0.03	0.74	1.16	JPY	1.23	0.02	15-May-32	4.37	-0.02	5 year	3.73	-0.02	
CAD	3.25	4.97	2.75	3.01	CAD	3.28	-0.05	14-Apr-33	4.47	-0.02	7 year	3.92	-0.02	
						NZ Inflation-Indexed Bonds		15-May-34	4.55	-0.02	10 year	4.14	-0.02	
						Sep-30	2.35	-0.02	15-May-35	4.63	-0.03	15 year	4.39	-0.02
						Sep-35	2.77	-0.00	15-May-36	4.70	-0.03			
						Sep-40	3.04	-0.00	15-May-37	4.79	-0.04			
									15-May-41	4.98	-0.04			
									15-May-51	5.14	-0.04			
									15-May-54	5.14	-0.04			

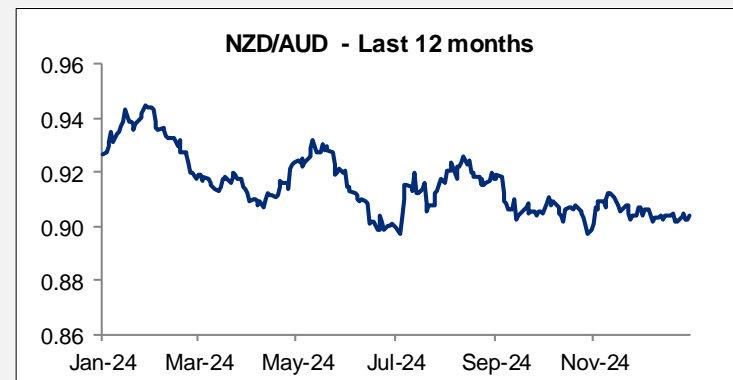
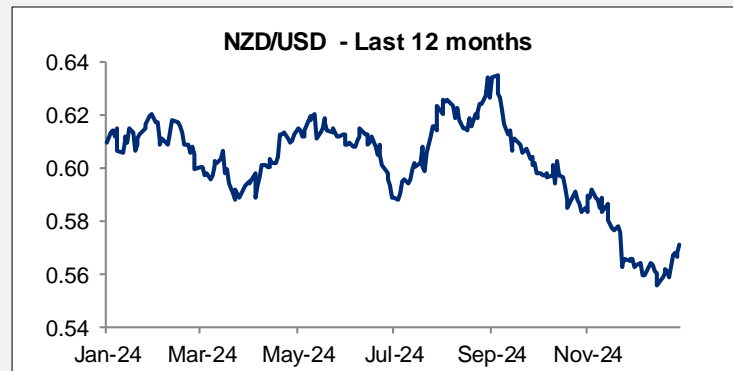
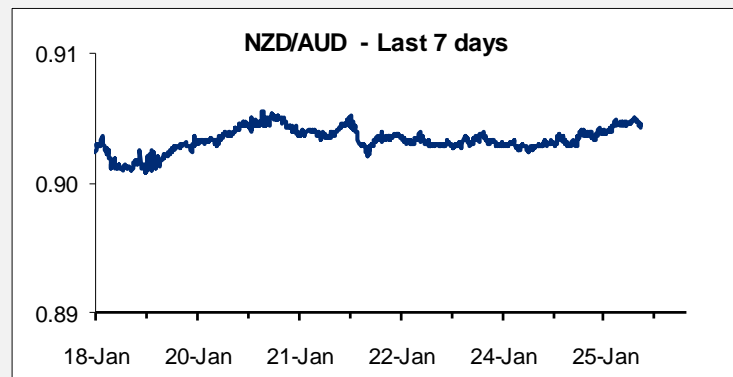
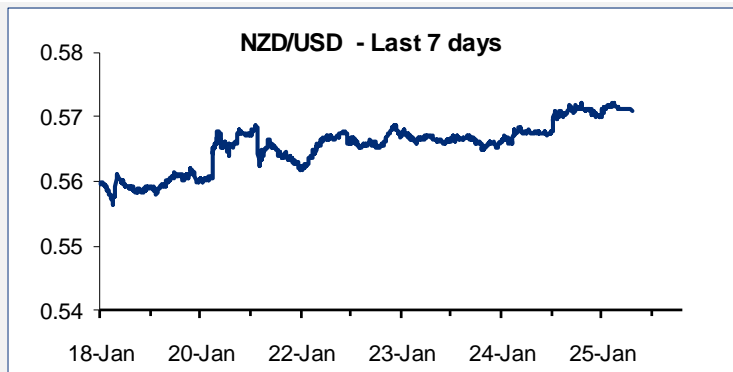
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates at NY close

Source: Bloomberg

NZD exchange rates

25/01/2025	NY close	Prev. NY close
USD	0.5710	0.5675
GBP	0.4574	0.4594
AUD	0.9042	0.9029
EUR	0.5441	0.5449
JPY	89.05	88.56
CAD	0.8190	0.8162
CHF	0.5172	0.5149
DKK	4.0588	4.0651
FJD	1.3191	1.3219
HKD	4.4455	4.4204
INR	49.21	49.07
NOK	6.3905	6.3985
PKR	159.14	158.17
PHP	33.30	33.31
PGK	2.2754	2.2755
SEK	6.2373	6.2494
SGD	0.7685	0.7690
CNY	4.1339	4.1349
THB	19.21	19.30
TOP	1.3691	1.3704
VUV	69.63	70.13
WST	1.5979	1.5959
XPF	65.75	65.68
ZAR	10.5051	10.5016



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.30	1.76
3 Months	7.74	8.36
6 Months	19.65	20.65
9 Months	32.22	34.18
1 Year	44.35	47.36

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.58	2.50
3 Months	8.91	11.09
6 Months	23.16	25.93
9 Months	37.28	41.80
1 Year	49.87	56.98

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