

Research Markets Today

28 February 2025

Events Round-Up

NZ: ANZ activity outlook (net%), Feb: 45.1 vs. 45.8 prev.

EC: Economic confidence, Feb: 96.3 vs. 95.9 exp.

US: GDP (ann'lisd q/q%, 2nd est.), Q4: 2.3 vs. 2.3 exp.

US: Durable goods orders (m/m%), Jan: 3.1 vs. 2.0 exp.

US: Durables ex transp. (m/m%), Jan: 0.0 vs. 0.3 exp.

US: Initial Jobless Claims, 45710: 242 vs. 221 exp.

US: Pending home sales (m/m%), Jan: -4.6 vs. -0.8 exp.

Good Morning

Equity markets are weaker and the USD is broadly stronger after Trump will impose an additional 10% tariff rate on Chinese imports next week and, after all, the proposed tariffs on Canada and Mexico will also take effect. The NZD and AUD have underperformed, with spillover from a weaker yuan. The NZD is down 1% from this time yesterday to 0.5640.

In overnight news, in a Truth Social post, President Trump said that the proposed tariffs on Canada and Mexico scheduled to take effect 4 March “will, indeed, go into effect, as scheduled. China will likewise be charged an additional 10% tariff on that date. The April Second Reciprocal Tariff date will remain in force and effect”. The preamble to that tariff news was a rant about illegal drugs pouring into the country.

There seems to be some confusion, as it was only a day earlier Trump told reporters that tariffs on Mexico and Canada would be delayed until 2 April. The increased tariff rate on Chinese imports will take the average duty imposed from 24.5% to 34.5%, having already risen from 14.5%. We await news on Chinese retaliation, but their response to the earlier 10% lift in tariffs was restrained.

The USD jumped on the tariff news, with the DXY index up 0.8% for the day. USD/CAD is up 0.7% to 1.4430, but it still feels that the market is nowhere near pricing in the full impact of tariffs, holding some hope that they will be delayed or, if imposed, prove to be temporary, given the havoc they’ll cause to the US economy and/or the market if they take effect. While USD/MXN jumped a bit, the currency has largely been trading sideways all week.

USD/CNH is back probing close to the 7.30 level. The additional Chinese tariffs are more likely to be imposed

than the Canada/Mexico ones, with China having been successful in reducing its exposure to the US by re-routing exports via other countries. Furthermore, there is less impact on the US economy from Chinese imports than there would be from imposing 25% tariffs on Canada and Mexico imports.

The weaker yuan has spilled over into the NZD and AUD, both at the bottom end of the leaderboard. The NZD has fallen to around 0.5640 while the AUD has fallen to around 0.6250. NZD/AUD is at 0.9025, while the NZD is lower on the other key crosses, with more modest falls for EUR, GBP and JPY against the USD.

US equity futures reversed an earlier lift after the tariff announcement and the S&P500 is down modestly in early afternoon trading, weighed down by an underperforming IT sector, which sees the fall in the Nasdaq index closer to 1%. Nvidia produced another strong result yesterday after the bell, but with an outlook not strong enough to meet exuberant expectations, and the stock is down over 3%.

The US Treasuries market is showing signs of consolidation after the 10-year rate fell to as low as 4.24% yesterday. It currently trades at 4.29%, up a few bps on the day and a touch higher from the NZ close.

US economic data were mixed. US GDP rose an annualised 2.3% in Q4, unrevised from the first estimate while the core PCE deflator was revised up two-tenths to an annualised 2.7%. Tonight sees the release of activity and inflation data for January, with real personal spending expected to show a 0.1% m/m contraction, forewarned by the weak retail sales report released earlier this month, while the core PCE deflator is expected to show a 0.3% m/m% lift that pulls the annual increase down to 2.6% y/y.

Initial jobless claims were much higher than expected, jumping 22k to 242k last week. The cause of the jump was largely attributed to extreme winter weather, with only a small impact from Federal worker job layoffs. Pending home sales slumped 4.6% m/m in January, with the weather also seen to be a factor here, with the coldest January in 25 years, although high prices and affordability also likely played a role. Much weaker housing market indicators have been a recent theme.

Durable goods orders were a mixed bag, with the headline figure jumping 3.1% m/m, fuelled by aircraft orders, the ex-transport figure flat, and non-defence capital goods

orders ex aircraft jumping 0.8% m/m, some of the increase likely reflecting businesses trying to get ahead of pending tariffs.

The domestic rates market was still digesting the news of an earlier than expected syndication of the 2032 bond tap. This flowed through into the tender result, with the 2033 bonds the weakest line on offer, with bid to cover just over 2 and a tail in the accepted bids. By contrast, the 2029s and 2041s on offer showed bid to cover ratios of over 4. Against a backdrop of lower global rates, the 10-year NZGB rose 1bp to 4.60%, while swap rates fell 1bp across the curve. The ANZ business outlook survey, showing little change in the own-activity indicator and mixed inflation indicators, didn't move the dial.

In the day ahead, NZ filled jobs, consumer confidence and Tokyo CPI figures will be released. Tonight sees the release of German CPI data, Canadian GDP and, as mentioned earlier, spending and PCE deflator data in the US. China PMI data will be released on Saturday.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ consumer confidence	Feb		96.0	10:00
NZ	Filled jobs (m/m%)	Jan		0.1	10:45
JN	Tokyo CPI (y/y%)	Feb	3.2	3.4	12:30
JN	Tokyo CPI ex-fr. fd, energy (y/y%)	Feb	2.0	1.9	12:30
GE	Unemployment rate (%)	Feb	6.2	6.2	21:55
GE	CPI EU harmonised (y/y%)	Feb	2.7	2.8	02:00
CA	GDP (Ann'lsd q/q%)	Q4	1.7	1.0	02:30
US	Goods trade balance (\$b)	Jan	-117	-122	02:30
US	Personal income(m/m%)	Jan	0.4	0.4	02:30
US	Real personal spending (m/m%)	Jan	-0.1	0.4	02:30
US	Core PCE deflator (m/m%)	Jan	0.3	0.2	02:30
US	Core PCE deflator (y/y%)	Jan	2.6	2.8	02:30
US	MNI Chicago PMI	Feb	40.8	39.5	03:45
Saturday					
CH	Manufacturing PMI	Feb	50	49.1	14:30
CH	Non-manufacturing PMI	Feb	50.4	50.2	14:30

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	Net Day			
NZD	0.5639	-1.0	0.5638	0.5690	CHF	0.8996	+0.5	S&P 500	5,954	-0.0	17.3	Oil (Brent)	73.94	+1.9
AUD	0.6245	-1.0	0.6244	0.6304	SEK	10.744	+0.9	Dow	43,628	+0.4	11.9	Oil (WTI)	70.20	+2.3
EUR	1.0404	-0.8	1.0400	1.0489	NOK	11.248	+0.8	Nasdaq	18,910	-0.9	17.9	Gold	2891.7	-1.3
GBP	1.2610	-0.5	1.2609	1.2689	HKD	7.777	+0.0	Stoxx 50	5,473	-1.0	12.0	HRC steel	905.0	-0.2
JPY	149.96	+0.6	149.16	150.16	CNY	7.287	+0.4	FTSE	8,756	+0.3	14.0	CRB	305.2	-0.4
CAD	1.4435	+0.7			SGD	1.347	+0.6	DAX	22,551	-1.1	28.4	Wheat Chic.	561.3	-3.2
NZD/AUD	0.9030	-0.0			IDR	16,454	+0.4	CAC 40	8,103	-0.5	1.9	Sugar	19.72	-4.5
NZD/EUR	0.5420	-0.2			THB	34.06	+0.9	Nikkei	38,256	+0.3	-2.3	Cotton	65.37	-0.9
NZD/GBP	0.4472	-0.5			KRW	1,448	+1.0	Shanghai	3,388	+0.2	12.4	Coffee	372.7	-0.7
NZD/JPY	84.56	-0.4			TWD	32.82	+0.1	ASX 200	8,268	+0.3	7.4	WM powder	3860	+0.9
NZD/CAD	0.8140	-0.3			PHP	57.90	+0.0	NZX 50	12,541	+0.7	6.8	Australian Futures		
NZ TWI	67.45	-0.5						VIX Index	18.70	-2.1	+39.2	3 year bond	96.21	0.01
Interest Rates											10 year bond 95.62 -0.03			
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	3.88	USD	4.29	0.04	15-Apr-27	3.66	-0.02	BKBM 1-mth	3.87	0.00	
AUD	4.10	4.12	3.76	4.33	AUD	4.34	-0.02	15-May-28	3.82	-0.02	BKBM 3-mth	3.76	-0.00	
NZD	3.75	3.76	3.49	4.12	NZD	4.60	0.01	20-Apr-29	3.95	-0.01	1 year	3.44	-0.01	
EUR	2.75	2.50	2.16	2.35	GER	2.41	-0.02	15-May-30	4.09	-0.01	2 year	3.49	-0.01	
GBP	4.50	5.30	4.04	4.03	GBP	4.51	0.01	15-May-31	4.23	-0.00	3 year	3.58	-0.01	
JPY	0.48	-0.03	0.83	1.27	JPY	1.40	0.03	15-May-32	4.34	-0.00	5 year	3.74	-0.01	
CAD	3.00	4.97	2.51	2.75	CAD	2.98	0.00	14-Apr-33	4.43	0.00	7 year	3.91	-0.01	
							NZ Inflation-Indexed Bonds			10 year			4.12	-0.01
							Sep-30			2.28	-0.03	15 year	4.35	-0.01
							Sep-35			2.77	-0.03			
							Sep-40			3.06	-0.02			
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates are as of: NZT 06:51														
Source: Bloomberg														

NZD exchange rates

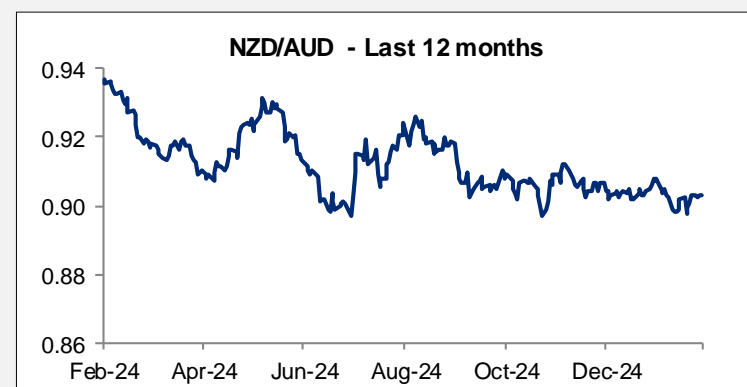
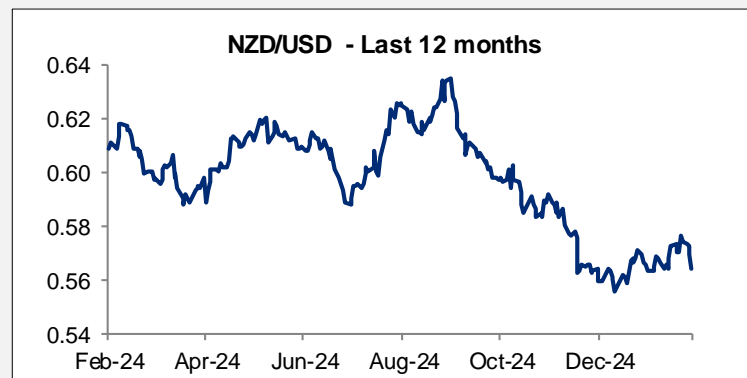
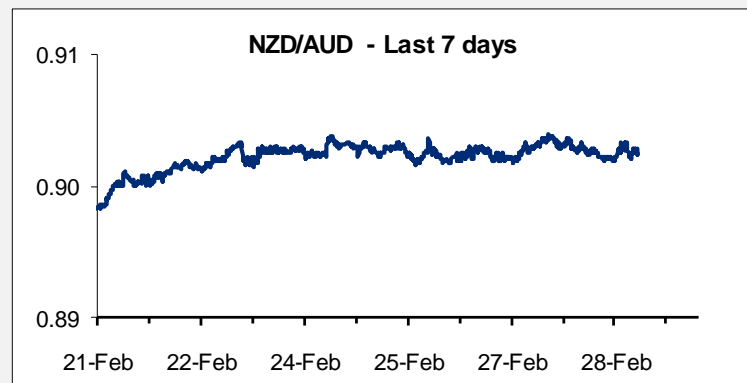
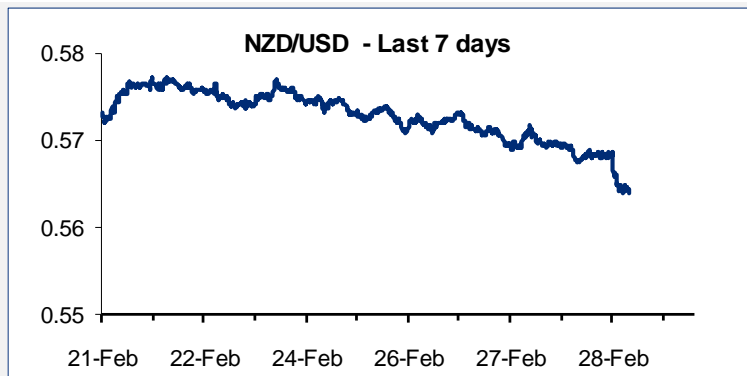
28/02/2025 6:51 am		Prev. NY close
USD	0.5639	0.5695
GBP	0.4472	0.4493
AUD	0.9030	0.9033
EUR	0.5420	0.5432
JPY	84.56	84.91
CAD	0.8140	0.8165
CHF	0.5073	0.5095
DKK	4.0423	4.0511
FJD	1.3056	1.3220
HKD	4.3856	4.4273
INR	49.17	49.66
NOK	6.3427	6.3539
PKR	157.73	159.24
PHP	32.65	32.97
PGK	2.2811	2.2871
SEK	6.0585	6.0643
SGD	0.7598	0.7624
CNY	4.1089	4.1333
THB	19.12	19.20
TOP	1.3347	1.3537
VUV	69.88	70.31
WST	1.5726	1.5882
XPF	64.67	65.25
ZAR	10.4007	10.4743

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.84	3.00
3 Months	10.35	11.06
6 Months	23.73	25.17
9 Months	35.64	37.99
1 Year	44.51	48.38

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.19	2.65
3 Months	10.11	11.67
6 Months	24.34	27.86
9 Months	36.96	42.51
1 Year	46.02	55.07



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