

Research Markets Today

31 January 2025

Events Round-Up

US: FOMC Rate (Upper bound), Jan: 4.5 vs. 4.5 exp.
 NZ: Trade Balance 12 Mth YTD \$bn, Dec: -7.7 vs. -8.2 prev.
 NZ: ANZ Activity Outlook, Jan: 45.4 vs. 50.3 prev.
 GE: GDP SA (q/q%), 4Q P: -0.2 vs. -0.1 exp.
 EC: GDP SA (q/q%), 4Q A: 0.0 vs. 0.1 exp.
 EC: Economic Confidence, Jan: 95.2 vs. 94.1 exp.
 EC: Unemployment Rate, Dec: 6.3 vs. 6.3 exp.
 EC: ECB Deposit Facility Rate, Jan: 2.75 vs. 2.75 exp.
 US: GDP Annualized (q/q%), 4Q A: 2.3 vs. 2.7 exp.
 US: Core PCE Price Index (q/q%), 4Q A: 2.5 vs. 2.5 exp.
 US: Initial Jobless Claims, Jan 25: 207 vs. 225 exp.
 US: Pending Home Sales (m/m%), Dec: -5.5 vs. 0 exp.

Good morning

US asset markets are little changed despite data showing solid economic activity in the December quarter. The S&P is marginally higher on the day while US treasury yields are unchanged. The Euro Stoxx gained more than 1% and Eurozone bond yields fell as the European Central Bank (ECB) cut its policy rate. Gold prices reached an all time high just below US\$2,800 per troy ounce.

The US economy grew at a 2.3% annualised rate in Q4, slightly below consensus expectations. Growth was driven by strong consumer spending which increased 4.2% in the quarter. This took annual growth in 2024 to 2.8%, after expanding 2.9% and 2.5%, in the prior two years. The core PCE deflator increased 2.5% in Q4 which implies a 0.17% monthly increase in December.

US initial jobless claims decreased 16k to 207k, below the consensus estimate. The fall primarily reflects the diminished impact from the fires in California.

Market pricing for Fed easing is little changed following the data with ~47bp of cuts implied by the end of the year. The FOMC statement, accompanying the steady rates decision yesterday, characterised the labour market as 'solid' and inflation as 'somewhat elevated'. Chair Powell said the Fed is not in a rush to lower interest rates and is waiting to see further progress on inflation.

Eurozone growth was flat in Q4, which was marginally weaker than expected, with the German and French economies contracting in the quarter. Annual growth in the Eurozone was 0.7% for 2024.

The ECB cut rates by 25bp to 2.75%. It was the fifth consecutive cut and was in line with expectations. The Bank described its monetary policy stance as 'restrictive', signalling more easing is coming, but not pre-committing to any rate path. The market is pricing close to three further 25bp cuts by the end of the year. European bonds rallied with 10-year bund yields closing down 7bp at 2.51%.

Outright moves across G10 currencies were modest overnight. EUR/USD was volatile around the ECB decision dipping below 1.0400 before moving sharply higher and is now little changed. The yen has strengthened against the dollar, with some linking the move with a Bloomberg article highlighting the Bank of Japan is beginning to normalise its balance sheet, by phasing out its fund-provisioning programme. The NZD is little changed against the dollar and on the major crosses.

NZ swap rates edged up in the local session yesterday with the curve steepening modestly. The initial move higher, reflected offshore moves, as investors digested the implications of the FOMC. 2-year rates retraced from the session highs to close at 3.46%, unchanged on the day, while 10-year rates closed 3bp higher at 4.08%. There was limited market reaction to the ANZ business survey, which indicated softer activity, and saw inflation indicators increase at the margin.

There was decent investor demand in the government bond tender with bid cover above three for all lines. The government curve made a parallel shift 2bp higher with 10-year bonds closing at 4.57%. Australian 10-year government bond futures are unchanged since the local close yesterday, suggesting a limited directional bias, for NZ yields on the open.

ANZ consumer confidence is the only domestic data of note today. The US Q4 Employment Cost Index and personal income and spending data for December, which includes the PCE deflator, are released later this evening.

stuart.ritson@bnz.co.nz

Coming Up

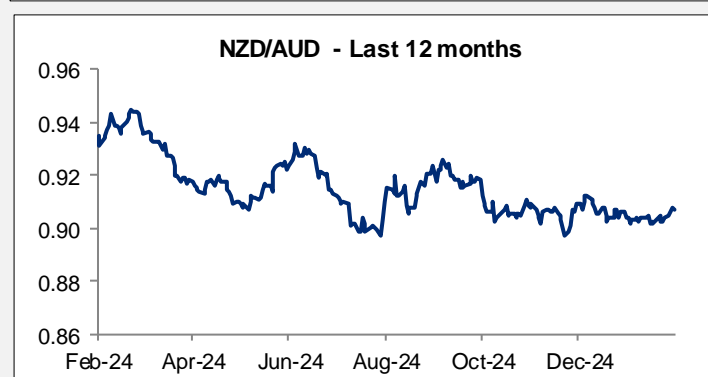
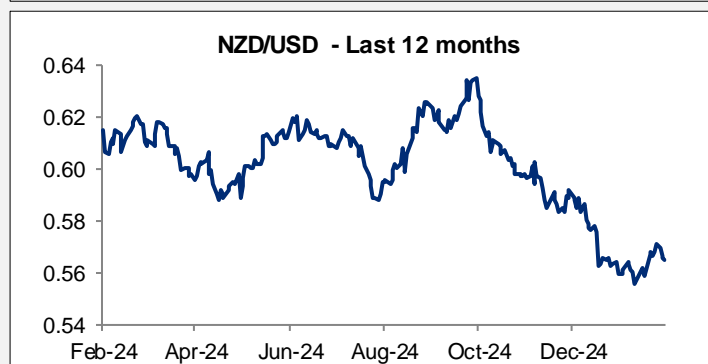
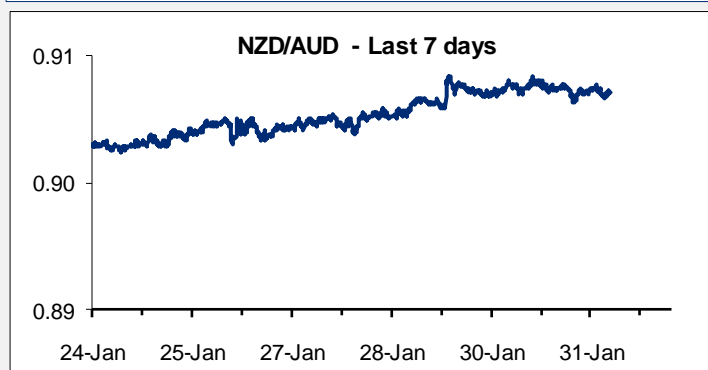
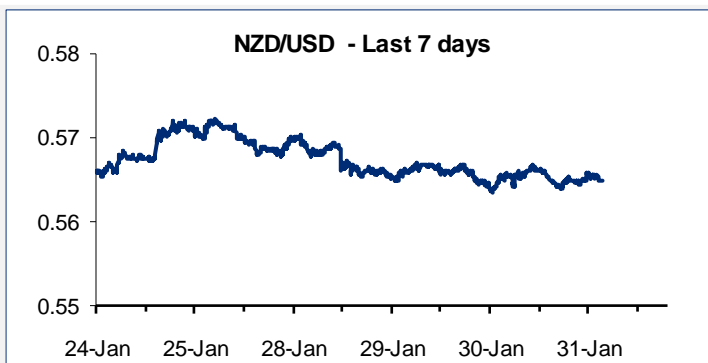
		Period	Cons.	Prev.	NZT
NZ	ANZ Consumer Confidence Index	Jan		100.2	10:00
JN	Tokyo CPI (y/y%)	Jan	3	3	12:30
JN	Tokyo CPI Ex Food, Energy (y/y%)	Jan	1.9	1.8	12:30
GE	Unemployment Claims Rate SA	Jan	6.1	6.1	21:55
GE	CPI EU Harmonized (y/y%)	Jan P	2.8	2.8	02:00
CA	GDP (m/m%)	Nov	-0.1	0.3	02:30
US	Employment Cost Index	4Q	0.9	0.8	02:30
US	Personal Income	Dec	0.4	0.3	02:30
US	Real Personal Spending	Dec	0.3	0.3	02:30
US	Core PCE Price Index (m/m%)	Dec	0.2	0.1	02:30
US	Core PCE Price Index (y/y%)	Dec	2.8	2.8	02:30
US	MNI Chicago PMI	Jan	40	36.9	03:45

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	0.5650	-0.2	0.5639	0.5661	CHF	0.9088	+0.2	S&P 500	6,043	+0.1	22.7	Oil (Brent)	76.90	+0.5	
AUD	0.6228	-0.0	0.6215	0.6239	SEK	11.020	+0.2	Dow	44,812	+0.2	16.5	Oil (WTI)	72.84	+0.3	
EUR	1.0416	-0.0	1.0390	1.0467	NOK	11.298	+0.0	Nasdaq	19,596	-0.2	26.3	Gold	2822.0	+1.9	
GBP	1.2444	-0.1	1.2425	1.2476	HKD	7.792	-0.0	Stoxx 50	5,282	+1.0	13.3	HRC steel	732.0	-0.7	
JPY	154.32	-0.6	153.79	154.74	CNY	7.245	+0.0	FTSE	8,647	+1.0	12.8	CRB	307.6	+0.4	
CAD	1.4415	-0.0			SGD	1.350	+0.0	DAX	21,727	+0.4	28.0	Wheat Chic.	581.3	+1.0	
NZD/AUD	0.9072	-0.1			IDR	16,256	+0.2	CAC 40	7,942	+0.9	3.4	Sugar	19.48	+0.2	
NZD/EUR	0.5424	-0.1			THB	33.57	-0.6	Nikkei	39,514	+0.3	8.9	Cotton	66.32	-0.5	
NZD/GBP	0.4540	-0.1			KRW	1,442	+0.0	Shanghai	3,251	-0.1	20.3	Coffee	374.0	+2.1	
NZD/JPY	87.19	-0.7			TWD	32.68	-0.3	ASX 200	8,494	+0.6	10.6	WM powder	4110	+0.1	
NZD/CAD	0.8144	-0.2			PHP	58.32	-0.2	NZX 50	12,928	-0.6	8.9	Australian Futures			
NZ TWI	67.58	-0.2						VIX Index	15.79	-4.6	+18.6	3 year bond	96.21	-0.01	
Interest Rates													10 year bond	95.59	0.00
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	4.05	4.07	USD	4.52	-0.01	15-Apr-27	3.64	0.02	BKBM 1-mth	4.22	-0.01		
AUD	4.35	4.26	3.77	4.37	AUD	4.38	0.01	15-May-28	3.77	0.02	BKBM 3-mth	3.94	-0.00		
NZD	4.25	3.94	3.46	4.08	NZD	4.57	0.02	20-Apr-29	3.88	0.02	1 year	3.54	-0.01		
EUR	3.00	2.61	2.35	2.47	GER	2.52	-0.06	15-May-30	4.00	0.02	2 year	3.46	0.00		
GBP	4.75	5.30	4.12	4.03	GBP	4.56	-0.06	15-May-31	4.14	0.02	3 year	3.50	0.01		
JPY	0.48	-0.03	0.74	1.14	JPY	1.22	0.02	15-May-32	4.29	0.01	5 year	3.67	0.02		
CAD	3.00	4.97	2.65	2.88	CAD	3.15	-0.02	14-Apr-33	4.39	0.02	7 year	3.86	0.02		
							NZ Inflation-Indexed Bonds						10 year	4.08	0.03
							Sep-30	2.31	0.02	15-May-34	4.48	0.02	15 year	4.33	0.03
							Sep-35	2.76	0.02	15-May-35	4.57	0.02			
							Sep-40	3.01	0.02	15-May-36	4.66	0.02			
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer							Sep-30	2.31	0.02	15-May-37	4.75	0.03			
Rates are as of: NZT 06:49							Sep-35	2.76	0.02	15-May-41	4.95	0.02			
Source: Bloomberg							Sep-40	3.01	0.02	15-May-51	5.11	0.03			
										15-May-54	5.11	0.03			

NZD exchange rates

31/01/2025 6:49 am		Prev. NY close
USD	0.5650	0.5659
GBP	0.4540	0.4545
AUD	0.9072	0.9082
EUR	0.5424	0.5430
JPY	87.19	87.84
CAD	0.8144	0.8160
CHF	0.5135	0.5132
DKK	4.0476	4.0522
FJD	1.3158	1.3234
HKD	4.4024	4.4095
INR	48.94	48.98
NOK	6.3831	6.3887
PKR	157.61	157.82
PHP	32.94	33.07
PGK	2.2654	2.2627
SEK	6.2262	6.2246
SGD	0.7628	0.7636
CNY	4.0932	4.0977
THB	19.06	19.11
TOP	1.3654	1.3745
VUV	69.99	70.48
WST	1.5941	1.5908
XPF	65.39	65.46
ZAR	10.4474	10.4909



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.46	1.73
3 Months	8.54	9.04
6 Months	21.01	22.11
9 Months	34.21	36.21
1 Year	46.51	49.51

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.53	2.14
3 Months	9.27	10.52
6 Months	22.64	25.49
9 Months	35.55	40.22
1 Year	46.86	54.83

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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