

# Research Markets Today

11 June 2024

## Events Round-Up

US: NY Fed 1yr inflation expect., May (%): 3.17 vs. 3.26 prev.

## Good Morning

The outcome of European Parliament elections has been the key driver of markets to start the week, with French President Macron's call for a snap election after his party's poor result negatively impacting French assets in particular and dragging down the euro. Elsewhere, the focus is on US CPI data and the Fed's policy update later in the week, with markets in a holding pattern until then. The US 10-year rate is up 3bps, US equities are slightly higher and the NZD and AUD have recovered modestly after Friday's heavy loss.

The key movements in markets reflect a lift in European political risk centred on France, following the European Parliament elections. These resulted in a poor performance for French President Macron's party, leading him to call a snap French parliamentary vote which would determine the make-up of the National Assembly.

In Germany, Chancellor Scholz's party also performed poorly, with its vote count of 14% being its worst-ever in a nationwide vote. All three parties in his coalition government lost support but he rejected calls to an early German election. In France and Germany and some other countries, there was a switch in support to the right, reflecting anti-immigration and anti-green sentiment amongst other factors, exposing unpopular policies that have been foisted upon the public.

Notable market movements include wider French-German bond spreads, weaker French equities and a weaker euro. France's 10-year government bond yield rose 13bps against a 5bps lift for Germany, with the 55bps spread the highest this year; France's CAC-40 benchmark equity index fell 1.4% against a 0.3% fall in the Euro Stoxx 600 index, and the euro fell as much as 0.6% and is currently down 0.4% from last week's close at 1.0760. The euro has enjoyed a nice rally over the past month but could struggle for a few weeks until the outcome of the French elections is known. The voting will take place on 30 June, with the second round scheduled for 7 July.

There has been some small spillover of higher European rates into US Treasuries. The 10-year rate is up 3bps to 4.47%, extending the sell-off post Friday's strong payrolls report. The 2-year rate is down less than 1bp.

The economic data flow has been light, with only second-tier data. The NY Fed survey of consumer expectations showed median year-ahead inflation expectations down 8bps to 3.17%, the three-year ahead measure unchanged at 2.76% and the five-year ahead measure up 18bps to 3.00%. Focus is on the US CPI report due Wednesday night NZ time, followed closely by the Fed's policy announcement. Until these key risk events are out of the way, trading conditions are likely to be quiet.

In currency markets, we've noted the weaker euro. The yen is down slightly, not helped by higher global rates, with USD/JPY returning to 157. Otherwise, the USD is generally weaker, including 0.3-0.4% gains for the NZD and AUD, recovering somewhat from their post-payrolls selloff. The NZD found some support at 0.6100 yesterday afternoon and has pushed up overnight to as high as 0.6125. The AUD has recovered to just over 0.66. NZD/EUR is up 0.8% to 0.5690, with price action over the past week consistent with some resistance around the 0.57 mark.

Oil prices are up around 2½-3%, extending their recovery after hitting four-month lows early last week following the OPEC+ announcement of potential production cut rollbacks. The later clarification that lifting production was not set in stone, and production curbs could remain in place depending on market conditions, has seen Brent crude recover over 6% from the low and it currently sits just under USD82 per barrel.

The domestic rates market was quiet yesterday with most of Australia on holiday. There was little trading activity and rates were marked higher, following the post US payrolls sell-off in Treasuries. NZGB yields were up 9-10bps across the curve, seeing the 10-year rate close at 4.73%. Swap rates were marked 7-10bps higher, with a steepening bias.

On the economic calendar, UK labour market data will be released tonight, with the earnings series in focus to help firm up the expected timing of the first BoE rate cut.

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## Coming Up

		Period	Cons.	Prev.	NZT
AU	NAB business conditions	May	7	13:30	
UK	Wkly earnings x bonus (3m/y%)	Apr	6.1	6.0	18:00
UK	Unemployment rate (%)	Apr	4.3	4.3	18:00
US	NFIB small business optimism	May	89.6	89.7	22:00

Source: Bloomberg, BNZ

Currencies								Equities				Commodities				
Global froces		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	0.6124	+0.3	0.6102	0.6125	CHF	0.8965	-0.0	S&P 500	5,358	+0.2	24.6	Oil (Brent)	81.77	+2.7		
AUD	0.6607	+0.4	0.6584	0.6611	SEK	10.481	-0.7	Dow	38,851	+0.1	14.7	Oil (WTI)	77.88	+3.1		
EUR	1.0761	-0.4	1.0733	1.0768	NOK	10.650	-0.6	Nasdaq	17,170	+0.2	29.5	Gold	2307.7	+0.1		
GBP	1.2732	+0.1	1.2688	1.2737	HKD	7.813	+0.0	Stoxx 50	5,016	-0.7	16.9	HRC steel	725.0	-0.4		
JPY	157.07	+0.2	156.75	157.10	CNY	7.248	+0.0	FTSE	8,228	-0.2	8.8	CRB	289.9	-0.9		
CAD	1.3759	-0.0			SGD	1.353	+0.0	DAX	18,495	-0.3	16.0	Wheat Chic.	630.3	-2.9		
NZD/AUD	0.9269	-0.1			IDR	16,283	+0.5	CAC 40	7,894	-1.3	9.4	Sugar	18.63	-1.9		
NZD/EUR	0.5691	+0.8			THB	36.73	-0.2	Nikkei	39,038	+0.9	21.0	Cotton	71.81	-2.7		
NZD/GBP	0.4810	+0.3			KRW	1,376	+0.8	Shanghai	3,051	+0.1	-5.6	Coffee	222.0	-1.3		
NZD/JPY	96.19	+0.5			TWD	32.24	-0.1	ASX 200	7,860	+0.5	10.4	WM powder	3325	-0.4		
NZD/CAD	0.8426	+0.2			PHP	58.79	+0.5	NZX 50	11,788	-0.6	0.8	<b>Australian Futures</b>				
NZ TWI	72.32	+0.3						VIX Index	12.70	+3.9	-8.2	3 year bond	96.03	-0.07		
<b>Interest Rates</b>												10 year bond 95.63 -0.06				
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	5.50	5.60	4.75	4.09	USD	4.47	0.03	15-May-26	4.91	0.09	BKBM 1-mth	5.60	0.00			
AUD	4.35	4.35	4.23	4.53	AUD	4.22	0.00	15-Apr-27	4.73	0.09	BKBM 3-mth	5.62	0.00			
NZD	5.50	5.62	5.08	4.62	NZD	4.73	0.10	15-May-28	4.64	0.09	1 year	5.48	0.03			
EUR	4.00	3.76	3.40	2.92	GER	2.67	0.05	20-Apr-29	4.59	0.09	2 year	5.08	0.07			
GBP	5.25	5.30	4.74	4.05	GBP	4.32	0.06	15-May-30	4.59	0.09	3 year	4.81	0.08			
JPY	0.08	-0.03	0.43	1.06	JPY	1.04	0.07	15-May-31	4.63	0.10	5 year	4.59	0.09			
CAD	4.75	4.98	4.32	3.80	CAD	3.51	0.05	15-May-32	4.67	0.10	7 year	4.56	0.10			
								14-Apr-33			4.70	0.10	10 year	4.62	0.10	
								15-May-34			4.73	0.10	15 year	4.75	0.10	
								15-May-35			4.78	0.10				
								15-May-37			4.88	0.10				
								15-May-41			4.99	0.09				
								15-May-51			5.00	0.09				
								15-May-54			5.03	0.10				
								<b>NZ Inflation-Indexed Bonds</b>								
								Sep-30			2.24	0.06				
								Sep-35			2.56	0.06				
								Sep-40			2.75	0.06				

\* These are indicative r 06:57  
 please confirm rates with your BNZ dealer  
 Rates are as of: NZT  
 Source: Bloomberg

**NZD exchange rates**

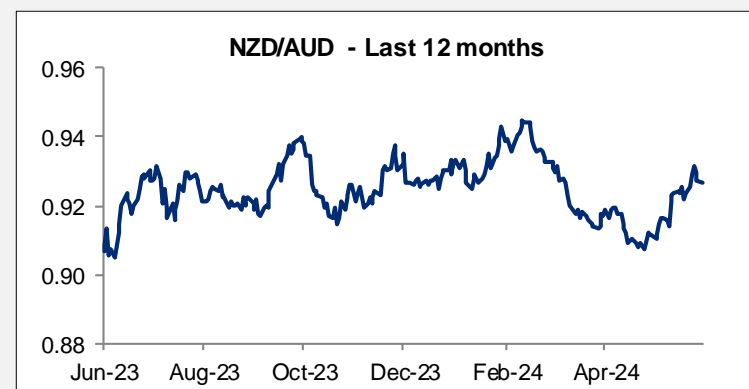
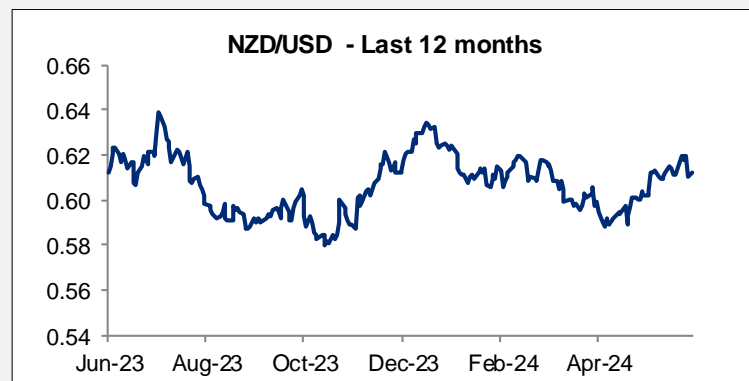
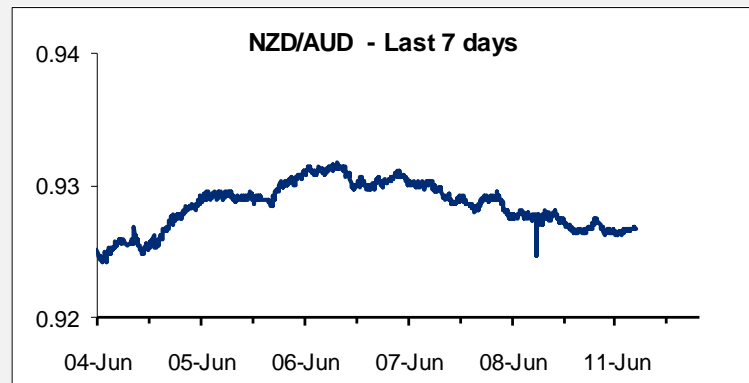
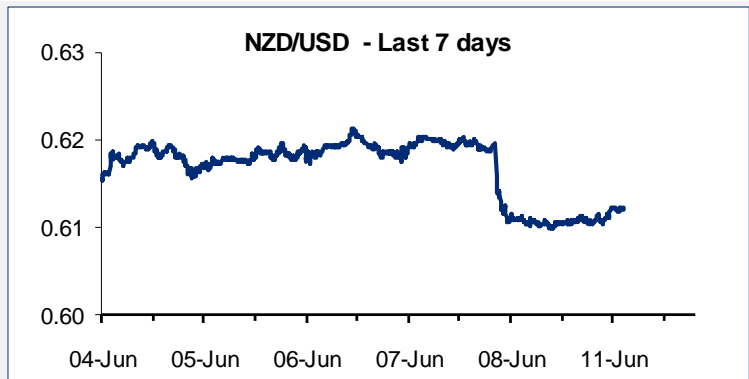
11/06/2024 6:57 am		Prev. NY close
USD	0.6124	0.6106
GBP	0.4810	0.4801
AUD	0.9269	0.9277
EUR	0.5691	0.5653
JPY	96.19	95.71
CAD	0.8426	0.8404
CHF	0.5490	0.5475
DKK	4.2447	4.2170
FJD	1.3765	1.3793
HKD	4.7849	4.7703
INR	51.14	50.91
NOK	6.5221	6.5412
PKR	170.43	169.93
PHP	36.01	35.74
PGK	2.3509	2.3359
SEK	6.4185	6.4416
SGD	0.8284	0.8257
CNY	4.4386	4.4238
THB	22.55	22.29
TOP	1.4215	1.4147
VUV	73.81	73.23
WST	1.6707	1.6502
XPF	67.78	67.37
ZAR	11.4691	11.5425

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.18	0.12
3 Months	-0.53	-0.06
6 Months	-2.16	-1.16
9 Months	-4.50	-2.49
1 Year	-7.49	-4.49

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.49	-7.84
3 Months	-25.15	-24.02
6 Months	-47.35	-44.78
9 Months	-66.07	-61.07
1 Year	-81.55	-74.00



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