

Research Markets Today

13 June 2024

Events Round-Up

NZ: Net migration, Apr: 7380 vs. 5620 prev.
 CH: PPI (y/y%), May: -1.4 vs. -1.5 exp.
 CH: CPI (y/y%), May: 0.3 vs. 0.4 exp.
 UK: GDP (m/m%), Apr: 0.0 vs. 0 exp.
 UK: Industrial production (m/m%), Apr: -0.9 vs. -0.1 exp.
 US: CPI (m/m%), May: 0.0 vs. 0.1 exp.
 US: CPI ex food, energy (m/m%), May: 0.2 vs. 0.3 exp.
 US: CPI (y/y%), May: 3.3 vs. 3.4 exp.
 US: CPI ex food, energy (y/y%), May: 3.4 vs. 3.5 exp.
 US: Fed Funds rate (upper bound), Jun: 5.5 vs. 5.5 exp.

Good Morning

Softer than expected US CPI data contributed to large moves across global markets ahead of the FOMC. Bond yields fell sharply as investors increased the amount of easing expected by the Fed this year. The US dollar declined. Equity markets advanced with the S&P making a fresh all-time high. The US Federal Reserve (Fed) left rates unchanged as expected. The Fed's forecasts signalled one 25bps rate this year, down from 75bps in March.

US CPI data for May was released ahead of the FOMC and was lower than consensus estimates. Core inflation increased 0.2% m/m, below expectations for 0.3% gain. This took the annual core rate to 3.4% which is the slowest pace in more than three years. Super core services inflation ex housing declined marginally and was the first negative reading since September 2021.

The Fed left rates on hold for a seventh straight meeting as was unanimously expected. The accompanying statement outlined 'modest further progress' had been made towards its inflation goal in recent months. Previously the statement had pointed to a 'lack' of further progress.

The FOMC revised up its 2024 core PCE deflator forecast to 2.8% from 2.6% in March. The median FOMC member forecasts one 25bps rate cut by the end of the year compared with 75bps in March. However, policy makers increased the amount of easing expected in 2025 to 100bps from 75bps previously. Fed policy makers also lifted forecasts where they see rates settling over the long term.

The key message from the initial stage of Chair Powells press conference was little changed from the May meeting. He outlined the restrictive stance of monetary policy will be retained to reduce inflationary pressures. Policy makers are 'data-dependent' and want to see more good inflation data before signalling that they are ready to ease.

US treasury yields moved sharply lower following the CPI data as the market moved to fully price two rate cuts by the Fed this year. 2-year treasuries declined 15bps to 4.69% before paring some of the move following the FOMC. It was a largely parallel shift lower with 10-year yields dipping 14bps to 4.26%. 10-year yields pushed below the early June lows to reach levels not seen since early April.

Lower yields weighed on the US dollar which made broad-based losses. The dollar index fell almost 1% at one point to retest the lows from early April. The yen gained 0.5% against the dollar benefitting from lower treasury yields. The Nikkei reported that the Bank of Japan is to 'weigh cuts to government bond purchases' ahead of its policy meeting tomorrow.

The pound moved in line with global currencies and looked past UK monthly GDP which showed flat growth in April as adverse weather weighed on the services sector and construction. This follows a strong rebound for the economy in Q1. There was limited market reaction to data showing subdued inflation in China set against the backdrop of weak domestic demand amid a prolonged real estate slump and weak job market.

The NZD was among the best performing G10 currencies gaining more than 1% against the dollar. NZD/USD traded back above 0.6200 to match the highs from February. The NZD gained on the major European cross rates and is little changed against the AUD.

NZ fixed income yields were little changed in the local session yesterday. 10-year government bonds increased 1bp to 4.74%. New Zealand Debt Management are tendering NZ\$500 million of nominal NZGBs today split across Apr-29 (\$250m), May-32 (\$200m) and May-37 (\$50m). Australian 10-year bond futures are ~11bps lower in yield overnight, suggesting a downward bias to NZGB yields on the open.

Australian labour market data for May is released today. The unemployment rate is expected to dip to 4% from 4.1% in April which was impacted by a lift in the participation rate. US PPI data will allow finetuning of PCE deflator forecasts ahead of its release at the end of the month. Initial jobless claims have picked up in recent weeks though may be impacted by seasonal adjustment factors.

stuart.ritson@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
NZ	Card Spending Total (m/m%)	May	0.9	10:45	
AU	Employment Change (k)	May	30	38.5	13:30
AU	Unemployment Rate	May	4	4.1	13:30
EC	Industrial Production (m/m%)	Apr	0.2	0.6	21:00
US	Initial Jobless Claims (k)	8 June	225	229	00:30
US	PPI Ex Food and Energy (m/m%)	May	0.3	0.5	00:30
US	PPI Ex Food and Energy (y/y%)	May	2.5	2.4	00:30

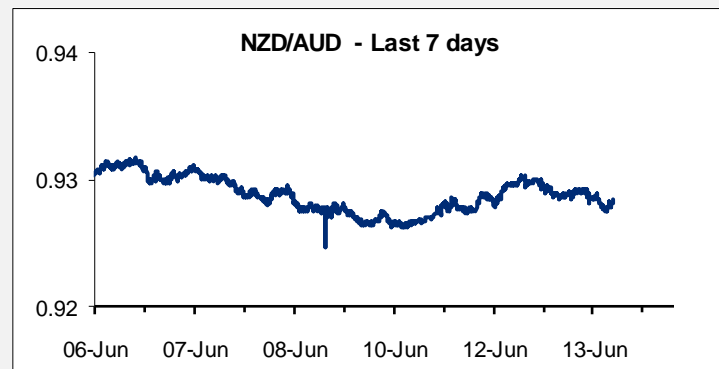
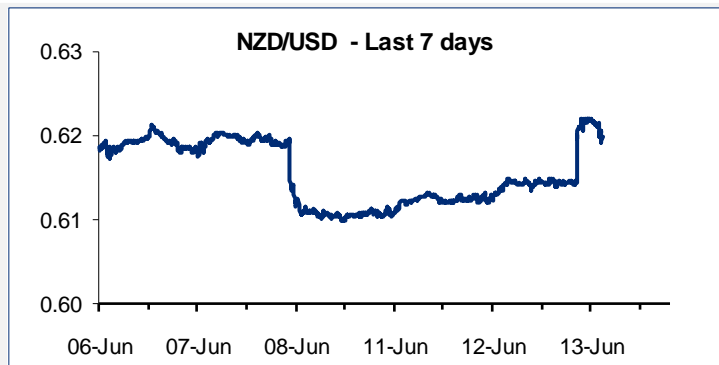
Source: Bloomberg, BNZ

Currencies								Equities				Commodities				
Global froces				Indicative overnight ranges (*)				Other FX				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day			Last	% Day	% Year		Last	Net Day	
NZD	0.6198	+0.9	0.6138	0.6222	CHF	0.8939	-0.4			S&P 500	5,427	+1.0	25.1	Oil (Brent)	82.53	+0.7
AUD	0.6676	+1.1	0.6608	0.6704	SEK	10.356	-1.2			Dow	38,791	+0.1	13.9	Oil (WTI)	78.46	+0.7
EUR	1.0817	+0.7	1.0736	1.0852	NOK	10.558	-1.3			Nasdaq	17,678	+1.9	31.3	Gold	2325.7	+0.8
GBP	1.2817	+0.6	1.2737	1.2860	HKD	7.809	-0.0			Stoxx 50	5,034	+1.4	16.6	HRC steel	733.0	+0.7
JPY	156.55	-0.4	155.72	157.37	CNY	7.241	-0.2			FTSE	8,215	+0.8	8.5	CRB	292.8	+0.5
CAD	1.3713	-0.3			SGD	1.347	-0.5			DAX	18,631	+1.4	15.7	Wheat Chic.	633.5	-2.0
NZD/AUD	0.9284	-0.2			IDR	16,295	+0.0			CAC 40	7,865	+1.0	8.5	Sugar	19.10	+1.6
NZD/EUR	0.5730	+0.2			THB	36.59	-0.4			Nikkei	38,877	-0.7	17.7	Cotton	71.74	-1.4
NZD/GBP	0.4836	+0.3			KRW	1,376	-0.1			Shanghai	3,037	+0.3	-6.1	Coffee	224.9	+1.5
NZD/JPY	97.03	+0.5			TWD	32.36	-0.1			ASX 200	7,716	-0.5	8.1	WM powder	3265	-2.0
NZD/CAD	0.8499	+0.5			PHP	58.60	-0.2			NZX 50	11,742	-0.4	0.8	Australian Futures		
NZ TWI	72.97	+0.5							VIX Index	12.32	-4.1	-17.9	3 year bond	96.05	0.03	
													10 year bond	95.78	0.08	
Interest Rates								NZ Government Bonds				NZ BKBM and Swap Yields				
	Rates				Swap Yields				Benchmark 10 Yr Bonds				Last		Chg	
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day			Last	Chg		Last	Chg		
USD	5.50	5.61	4.61	3.92	USD	4.29	-0.11	15-May-26		4.89	-0.00	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.36	4.13	4.40	AUD	4.28	-0.04	15-Apr-27		4.71	-0.00	BKBM 3-mth	5.62	0.00		
NZD	5.50	5.62	5.04	4.59	NZD	4.74	0.01	15-May-28		4.63	-0.01	1 year	5.45	-0.01		
EUR	3.75	3.74	3.29	2.80	GER	2.53	-0.09	20-Apr-29		4.59	0.00	2 year	5.04	-0.01		
GBP	5.25	5.30	4.57	3.84	GBP	4.13	-0.14	15-May-30		4.60	0.01	3 year	4.77	-0.01		
JPY	0.08	-0.03	0.39	0.99	JPY	0.99	-0.04	15-May-31		4.64	0.01	5 year	4.56	-0.01		
CAD	4.75	4.98	4.21	3.66	CAD	3.38	-0.10	15-May-32		4.68	0.01	7 year	4.53	-0.01		
								14-Apr-33		4.71	0.01	10 year	4.59	-0.01		
								15-May-34		4.74	0.01	15 year	4.72	-0.01		
								15-May-35		4.78	0.01					
								15-May-37		4.88	0.01					
								15-May-41		5.01	0.02					
								15-May-51		5.01	0.03					
								15-May-54		5.03	0.02					

* These are indicative r 07:01
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

13/06/2024	7:01 am	Prev. NY close
USD	0.6198	0.6144
GBP	0.4836	0.4823
AUD	0.9284	0.9301
EUR	0.5730	0.5720
JPY	97.03	96.54
CAD	0.8499	0.8453
CHF	0.5540	0.5515
DKK	4.2741	4.2668
FJD	1.3975	1.3885
HKD	4.8398	4.8000
INR	51.78	51.35
NOK	6.5439	6.5704
PKR	172.49	170.99
PHP	36.38	36.12
PGK	2.3793	2.3576
SEK	6.4189	6.4420
SGD	0.8346	0.8313
CNY	4.4877	4.4571
THB	22.74	22.57
TOP	1.4301	1.4183
VUV	74.75	74.07
WST	1.6848	1.6714
XPF	68.31	67.95
ZAR	11.3736	11.4271

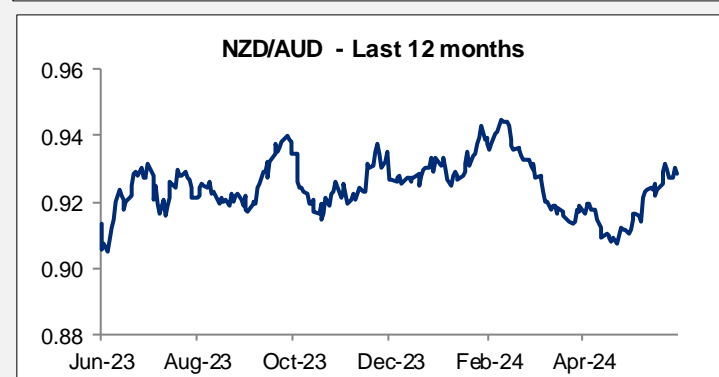


NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.18	0.16
3 Months	-0.46	0.08
6 Months	-2.23	-1.23
9 Months	-5.00	-3.00
1 Year	-8.65	-5.65

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.69	-7.80
3 Months	-25.25	-23.96
6 Months	-47.54	-44.66
9 Months	-66.58	-60.52
1 Year	-82.35	-72.78



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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