

Research Markets Today

17 May 2024

Events Round-Up

- JN: GDP (q/q%), Q1: -0.5 vs. -0.3 exp.
- AU: Unemployment rate (%), Apr: 4.1 vs. 3.9 exp.
- AU: Employment change (k), Apr: 39 vs. 24 exp.
- US: Initial jobless claims (k), wk to 11-May: 222 vs. 220 exp.
- US: Housing starts (k), Apr: 1360 vs. 1420 exp.
- US: Building permits (I), Apr: 1440 vs. 1480 exp.
- US: Philly Fed business outlook, May: 4.5 vs. 7.8 exp.
- US: Industrial production (m/m%), Apr: 0.0 vs. 0.1 exp.

Good Morning

The key market move overnight has been a retracement of US Treasuries, with yields steadily higher, reversing the fall seen following the US CPI release the previous night. This hasn't perturbed equity markets, with the Dow Jones index breaking 40,000 for the first time, but the rates-sensitive JPY is the weakest major overnight and NZD/JPY reached 95. The NZD is flat around 0.6120.

Citigroup's US economic surprise index fell to a 16-month low, with all the second-tier data released overnight suggesting weaker than expected activity. Initial jobless claims fell 10k to 222k, only partially reversing the spike up the previous week seen in NY which reflected the public-school spring break. Housing starts and permits underwhelmed, The Philadelphia Fed business outlook index fell, and industrial production was flat.

The data barely caused a small ripple in the market, with the overwhelming theme being a retracement of the post-CPI market reaction. Recall, the broadly in-line CPI print came as a relief to the market, which had been nervous about another possible upside surprise and drove lower Treasury yields. However, US Treasury yields reversed course and steadily rose from the NZ close. The 2-year rate is up 8bps to 4.79%, now just above the level prior to the CPI release. The 10-year rate hasn't fully retraced the move but is up 6bps since the NZ close to 4.375%.

Adding to the mood, US Fed officials have been out in force speaking to a higher-for-longer message on rates, including Williams, Barkar and Mester. Also getting some air play, was the head of global markets at hedge fund manager Rokos, saying it's unlikely the Fed will be able to cut this year, noting the Presidential election has policy implications. Also getting some airplay was commentary

from JP Morgan CEO Dimon saying, "there are a lot of inflationary forces in front of us...I think the chance of inflation staying high or rates going up are higher than people think."

The equity market hasn't been particularly perturbed by the bounce-back in rates or hawkish commentary on inflation, with the Dow Jones index breaking 40,000 for the first time and the S&P500 currently trading flat after earlier recording another record high. Walmart posted a strong result, and noted the economic slowdown was seeing it gain market share among higher-income households, as they traded down to seek comparatively cheaper goods.

In currency markets, against the backdrop of higher US Treasury yields, the yen has been the worst performer since the NZ close, with USD/JPY up 0.9% to 155.30, unwinding almost all of the post-CPI reaction. NZD/JPY has pushed up just over 95. Yesterday, there was little market reaction to data showing Japan GDP contracted by a larger than expected 0.5% q/q in Q1, continuing the weak run, with private consumption contracting for the fourth consecutive quarter. The soft data complicates the outlook for monetary policy, questioning the wherewithal of the BoJ to tighten monetary policy.

Other key currencies are flat to slightly weaker overnight. NZD/USD is little changed at 0.6120 after a brief dip overnight to just below 0.61. The AUD's move above 0.67 proved short-lived, and it has retreated to 0.6680. Not helping, Australian labour market data showed the unemployment rate rising to 4.1%, two-tenths higher than consensus, hot on the heels of weaker than expected wage inflation data on Wednesday. Australian rates fell on the data, although this has been mostly reversed overnight. NZD/AUD has seen a sustained push higher, trading this morning at a three-week high of 0.9165.

In the domestic rates market, the combination of lower Treasury yields post-CPI and lower Australian rates post the employment report drove NZ rates down, albeit not quite to the same extent. NZGB yields were down 8-10bps, with the 10-year rate down to 4.58%, probing levels not seen since March and down a chunky 32bps from the end of last month. There was only tepid demand for that line in the tender, with more interest in the 2031 bonds on offer. In the swap market, the 2-year swap rate fell 6bps to 4.89% and the 10-year rate fell 9bps to 4.45%.

On the calendar today, NZ PPI data are released, followed by monthly activity indicators for China, where the consensus sees stronger incremental annual growth for industrial production, retail sales and investment. Caixin is reporting that China will likely announce new policy measures to tackle the country’s persistent real estate crisis at a meeting scheduled today.

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Coming Up

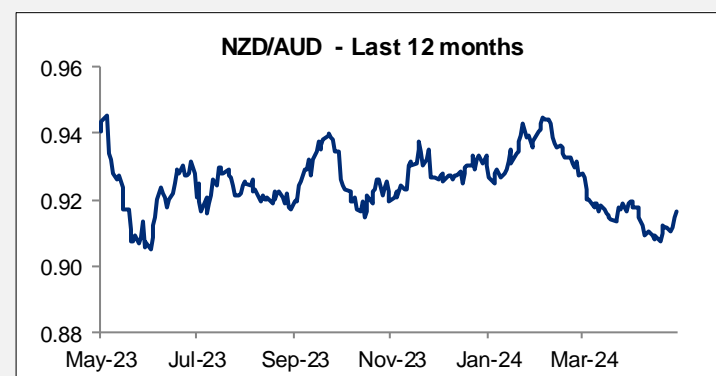
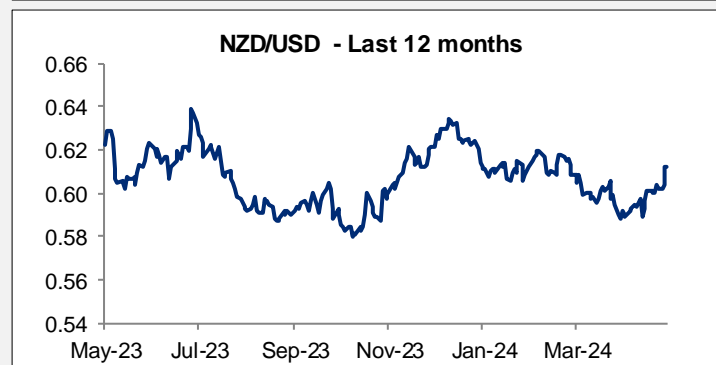
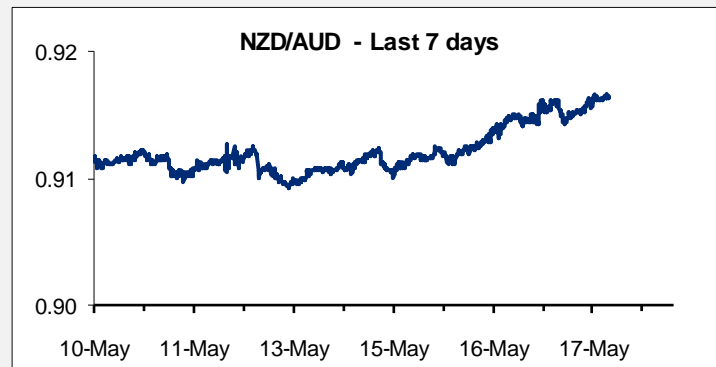
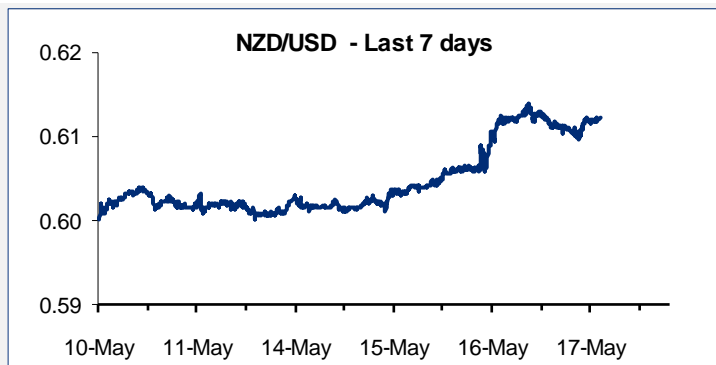
		Period	Cons.	Prev.	NZT
NZ	PPI output (q/q%)	Q1	0.7	10:45	
CH	Industrial production (y/y%)	Apr	5.5	4.5	14:00
CH	Retail sales (y/y%)	Apr	3.7	3.1	14:00
CH	Fixed assets invest. (YTD, y/y%)	Apr	4.6	4.5	14:00

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	Net Day						
NZD	0.6122	+0.0	0.6096	0.6123	CHF	0.9053	+0.3	S&P 500	5,310	+0.0	29.2	Oil (Brent)	83.33	+0.7			
AUD	0.6680	-0.2	0.6654	0.6690	SEK	10.706	+0.4	Dow	39,961	+0.1	21.0	Oil (WTI)	79.28	+0.8			
EUR	1.0870	-0.1	1.0854	1.0882	NOK	10.695	+0.2	Nasdaq	16,732	-0.1	35.6	Gold	2383.9	-0.5			
GBP	1.2675	-0.1	1.2644	1.2686	HKD	7.802	-0.1	Stoxx 50	5,072	-0.6	17.5	HRC steel	787.0	+0.5			
JPY	155.31	+0.3	154.28	155.53	CNY	7.222	+0.0	FTSE	8,439	-0.1	8.9	CRB	290.0	+0.9			
CAD	1.3614	+0.1			SGD	1.346	+0.0	DAX	18,739	-0.7	17.9	Wheat Chic.	683.8	-0.3			
NZD/AUD	0.9165	+0.2			IDR	15,924	-0.6	CAC 40	8,188	-0.6	10.6	Sugar	18.33	-1.7			
NZD/EUR	0.5632	+0.1			THB	36.19	-0.4	Nikkei	38,920	+1.4	29.3	Cotton	76.24	+0.8			
NZD/GBP	0.4830	+0.1			KRW	1,345	-1.1	Shanghai	3,122	+0.1	-4.9	Coffee	197.9	-1.0			
NZD/JPY	95.08	+0.3			TWD	32.09	-0.3	ASX 200	7,881	+1.6	9.5	WM powder	3255	+1.4			
NZD/CAD	0.8334	+0.1			PHP	57.47	-0.1	NZX 50	11,728	+1.8	-1.9	Australian Futures					
NZ TWI	71.79	+0.0						VIX Index	12.45	+0.0	-30.8	3 year bond	96.17	0.12			
Interest Rates											10 year bond			95.77	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	5.50	5.59	4.70	4.02	USD	4.38	0.04	15-May-26	4.66	-0.08	BKBM 1-mth	5.60	0.00				
AUD	4.35	4.35	4.14	4.42	AUD	4.19	-0.13	15-Apr-27	4.50	-0.09	BKBM 3-mth	5.63	-0.01				
NZD	5.50	5.63	4.89	4.45	NZD	4.58	-0.08	15-May-28	4.45	-0.09	1 year	5.36	-0.04				
EUR	4.00	3.82	3.27	2.74	GER	2.46	0.04	20-Apr-29	4.42	-0.09	2 year	4.89	-0.06				
GBP	5.25	5.30	4.49	3.80	GBP	4.08	0.01	15-May-30	4.43	-0.09	3 year	4.61	-0.07				
JPY	0.08	-0.03	0.39	0.99	JPY	0.93	-0.03	15-May-31	4.47	-0.08	5 year	4.39	-0.08				
CAD	5.00	5.27	4.54	3.88	CAD	3.57	0.01	15-May-32	4.51	-0.09	7 year	4.38	-0.09				
							NZ Inflation-Indexed Bonds				10 year			4.45	-0.09		
											15 year			4.60	-0.09		
* These are indicative r 06:57							Sep-30				2.20	-0.05	15-May-37			4.73	-0.09
please confirm rates with your BNZ dealer							Sep-35				2.52	-0.05	15-May-41			4.85	-0.10
Rates are as of: NZT							Sep-40				2.71	-0.04	15-May-51			4.86	-0.10
Source: Bloomberg											15-May-54			4.89	-0.10		

NZD exchange rates

17/05/2024	6:57 am	Prev. NY close
USD	0.6122	0.6122
GBP	0.4830	0.4826
AUD	0.9165	0.9146
EUR	0.5632	0.5625
JPY	95.08	94.82
CAD	0.8334	0.8327
CHF	0.5542	0.5523
DKK	4.2018	4.1964
FJD	1.3748	1.3782
HKD	4.7761	4.7810
INR	51.12	51.12
NOK	6.5472	6.5331
PKR	169.06	170.38
PHP	35.19	35.23
PGK	2.3429	2.3429
SEK	6.5545	6.5302
SGD	0.8237	0.8235
CNY	4.4209	4.4195
THB	22.12	22.37
TOP	1.4204	1.4194
VUV	73.59	73.95
WST	1.6581	1.6582
XPF	67.41	67.47
ZAR	11.1318	11.1864



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.28	0.09
3 Months	-0.48	0.02
6 Months	-0.41	0.59
9 Months	-0.84	1.17
1 Year	-0.37	2.63

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.52	-7.80
3 Months	-24.34	-23.18
6 Months	-44.65	-42.04
9 Months	-61.66	-56.66
1 Year	-72.95	-65.78

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