

Research Markets Today

20 June 2024

Events Round-Up

NZ: Current account bal (% of GDP), Q1: -6.8 vs. -6.8 exp.

UK: CPI (y/y%), May: 2.0 vs. 2.0 exp.

UK: CPI core (y/y%), May: 3.5 vs. 3.5 exp.

US: NAHB housing market index, Jun: 43 vs. 46 exp.

Good Morning

Global markets were confined to narrow ranges with the US observing a public holiday. US equity, bonds, and most commodity markets were closed. European equities traded lower with the Euro Stoxx falling 0.6%. The Hang Seng had a strong session and advanced nearly 3%. The move was attributed to further market-friendly reforms such as allowing Chinese investors to buy Hong Kong stocks using the yuan. Currency markets were subdued, and European bond yields ended marginally higher in yield.

UK headline inflation increased at a 2.0% annual rate in May which was in line with consensus expectations. It is the first time in nearly three years that it has converged with the Bank of England's (BOE) target. Core inflation was also in line with expectations at 3.5%. However, services inflation didn't fall as much as expected, and at a 5.7% annual rate, may be of concern to policy makers.

The market pared expectations of BOE rate cuts following the data. Although the Bank is unanimously expected to leave rates on hold this evening, August is considered to be a 'live' meeting. There is about 9bps of easing priced for August, down from 13bps ahead of the CPI data. The pound gained against the euro immediately following the data before retracing to end little changed.

European bond markets traded modestly higher in yield. 10-year gilts increased 2bps to 4.06% while bunds closed 1bps higher at 2.4%. The 10-year OAT-Bund spread has stabilised at 79bp as financial stress from political instability in France has eased in recent days.

A Bloomberg article noted that Japan is considering issuing bonds with shorter maturities. This proposal is set against the backdrop of the Bank of Japan's (BOJ) decision to reduce the amount of government bonds (JGBs) it purchases and the requirement to stimulate fresh demand from the banking sector. The BOJ holds ~US\$3.7 trillion in JGBs which is around half of the total outstanding.

Aside from the brief move in the pound after the CPI data, currency markets were little changed. G10 currencies are less than 0.1% away from levels at 5pm yesterday. NZD/USD was confined to a 10-pip trading range.

NZ fixed income yields moved lower in the local session. The move in US treasuries set the initial tone which extended through the session. 2-year swap rates declined 5bps to 4.88% matching the yield lows from mid-May. Yields across the curve are approaching the bottom of the trading range from the past few months. 10-year government bond yields fell 5bps to 4.54%.

RBNZ Chief Economist Paul Conway's speech yesterday on the inflation outlook didn't impact the market. He noted 'a period of restrictive policy is necessary to give (the Bank) confidence that inflation will return to target over a reasonable timeframe'

New Zealand Debt Management are tendering NZ\$500 million of nominal NZGBs today split across May-31 (\$250m), May-34 (\$200m) and May-54 (\$50m). It is the first time that the May-2054 line has been tendered since the syndication in February. The 10y/30y curve has steepened back above 30bps in the recent bond rally.

Q1 GDP is released today. We forecast -0.1% q/q which would result in flat annual growth. The consensus estimate for Q1 is a modest 0.1% quarterly gain while the RBNZ forecast 0.2% q/q at the May Monetary Policy Statement. The broader picture from more timely activity data is an economy that is struggling to gain traction.

There are no updated quarterly forecasts prepared for the Bank of England meeting this meeting. The market will be focused on the accompanying statement and the vote split amongst the committee. At the May meeting, 2 of the 9 members preferred to reduce Bank Rate by 25bps, to 5%.

US jobless claims will also be monitored after the recent increase. The difficulty in seasonal adjustment for the series at this time of year clouds the interpretation. The median estimate is for a modest dip in claims. US housing market data and the Philly Fed outlook are also released.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ GDP SA (q/q%)	1Q	0.1	-0.1	10:45
CH 5-Year Loan Prime Rate	June	3.95	3.95	13:15
CH 1-Year Loan Prime Rate	June	3.45	3.45	13:15
UK Bank of England Bank Rate	June	5.25	5.25	23:00
US Initial Jobless Claims	15 June	235	242	00:30
US Housing Starts	May	1370	1360	00:30
US Building Permits	May	1450	1440	00:30
US Phil. Fed Business Outlook	Jun	5	4.5	00:30
EC Consumer Confidence	Jun P	-13.8	-14.3	02:00

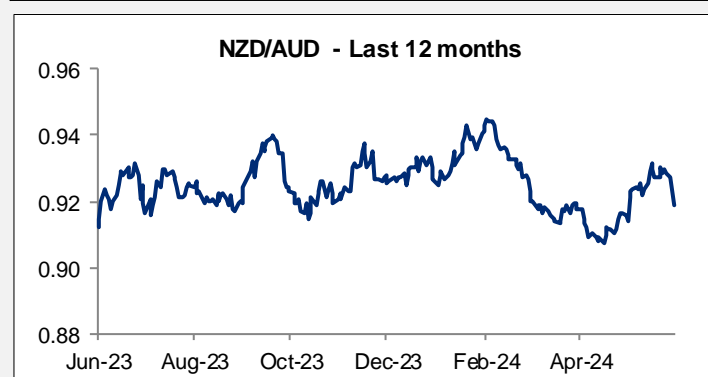
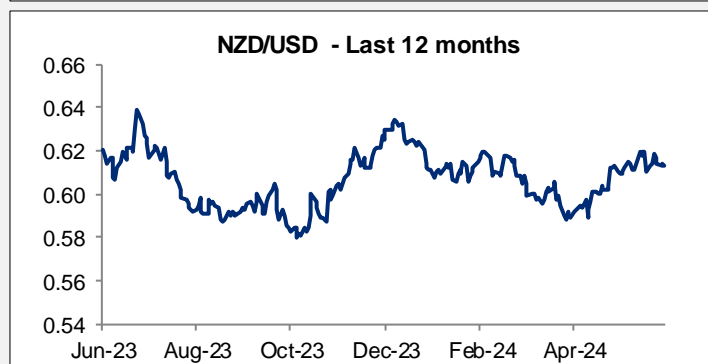
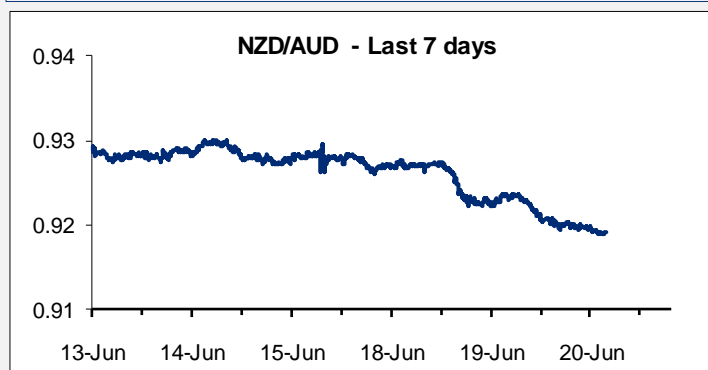
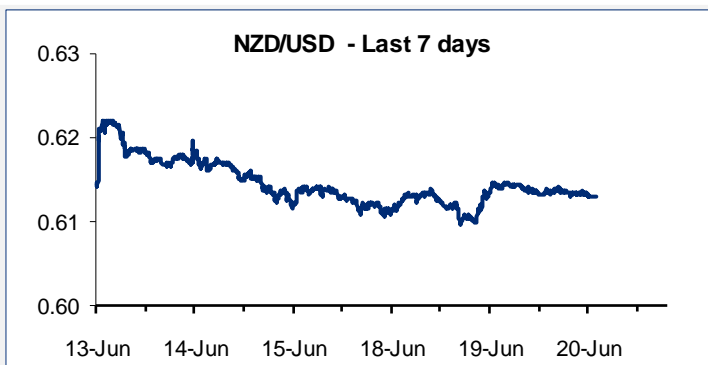
Source: Bloomberg, BNZ

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	0.6130	-0.2	0.6128	0.6142	CHF	0.8844	+0.0	S&P 500	5,487	+0.3	24.4	Oil (Brent)	85.07	-0.1
AUD	0.6669	+0.2	0.6665	0.6677	SEK	10.443	+0.0	Dow	38,835	+0.1	13.2	Oil (WTI)	81.47	-0.1
EUR	1.0743	+0.0	1.0725	1.0753	NOK	10.569	-0.1	Nasdaq	17,862	+0.0	30.5	Gold	2328.3	-0.1
GBP	1.2715	+0.0	1.2714	1.2740	HKD	7.807	-0.0	Stoxx 50	4,885	-0.6	12.0	HRC steel	720.0	-1.6
JPY	157.96	+0.1	157.61	157.96	CNY	7.257	+0.0	FTSE	8,205	+0.2	8.1	CRB	295.7	+0.9
CAD	1.3713	-0.0			SGD	1.351	-0.0	DAX	18,068	-0.4	11.5	Wheat Chic.	599.0	-1.5
NZD/AUD	0.9192	-0.4			IDR	16,365	-0.3	CAC 40	7,570	-0.8	3.5	Sugar	18.92	-0.3
NZD/EUR	0.5706	-0.2			THB	36.67	+0.0	Nikkei	38,571	+0.2	15.5	Cotton	71.03	+1.6
NZD/GBP	0.4821	-0.3			KRW	1,382	+0.0	Shanghai	3,018	-0.4	-6.9	Coffee	226.3	-0.5
NZD/JPY	96.83	-0.2			TWD	32.34	-0.2	ASX 200	7,770	-0.1	5.6	WM powder	3125	+0.6
NZD/CAD	0.8406	-0.3			PHP	58.75	+0.2	NZX 50	11,671	-0.8	-1.0	Australian Futures		
NZ TWI	72.35	-0.3						VIX Index	12.48	+1.5	-7.8	3 year bond	96.14	-0.05
												10 year bond	95.82	-0.03
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields				
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last	Chg		Last	Chg			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day								
USD	5.50	5.61	4.55	3.82	USD	4.22	0.00	15-May-26	4.74	-0.02	BKBM 1-mth	5.60	0.00	
AUD	4.35	4.38	4.17	4.36	AUD	4.18	0.03	15-Apr-27	4.54	-0.03	BKBM 3-mth	5.61	0.01	
NZD	5.50	5.61	4.88	4.36	NZD	4.54	-0.06	15-May-28	4.44	-0.04	1 year	5.36	-0.02	
EUR	3.75	3.72	3.20	2.74	GER	2.40	0.01	20-Apr-29	4.39	-0.04	2 year	4.88	-0.05	
GBP	5.25	5.30	4.51	3.77	GBP	4.07	0.02	15-May-30	4.40	-0.05	3 year	4.59	-0.05	
JPY	0.08	-0.03	0.36	0.95	JPY	0.93	-0.01	15-May-31	4.43	-0.05	5 year	4.34	-0.05	
CAD	4.75	4.96	4.13	3.55	CAD	3.29	0.02	15-May-32	4.48	-0.05	7 year	4.31	-0.05	
								14-Apr-33	4.50	-0.05	10 year	4.36	-0.05	
								15-May-34	4.54	-0.06	15 year	4.49	-0.05	
								15-May-35	4.59	-0.05				
								15-May-37	4.71	-0.05				
								15-May-41	4.84	-0.05				
								15-May-51	4.85	-0.05				
								15-May-54	4.88	-0.04				

* These are indicative r 06:50
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

20/06/2024 6:50 am		Prev. NY close
USD	0.6130	0.6144
GBP	0.4821	0.4834
AUD	0.9192	0.9231
EUR	0.5706	0.5721
JPY	96.83	96.99
CAD	0.8406	0.8428
CHF	0.5421	0.5433
DKK	4.2559	4.2675
FJD	1.3781	1.3863
HKD	4.7854	4.7967
INR	51.16	51.25
NOK	6.4790	6.5000
PKR	170.60	169.67
PHP	36.02	36.02
PGK	2.3550	2.3594
SEK	6.4015	6.4137
SGD	0.8280	0.8300
CNY	4.4486	4.4568
THB	22.48	22.63
TOP	1.4141	1.4176
VUV	73.80	74.05
WST	1.6642	1.6700
XPF	67.80	67.97
ZAR	11.0016	11.0846



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.13	0.16
3 Months	-0.30	0.23
6 Months	-1.65	-0.55
9 Months	-4.10	-1.86
1 Year	-6.97	-3.97

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.39	-7.71
3 Months	-24.50	-23.29
6 Months	-44.96	-42.11
9 Months	-60.42	-55.06
1 Year	-72.17	-64.94

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