

Research Markets Today

20 May 2024

Events Round-Up

NZ: PPI output (q/q%), Q1: 0.9 vs. 0.7 prev.
 CH: Industrial production (y/y%), Apr: 6.7 vs. 5.5 exp.
 CH: Retail sales (y/y%), Apr: 2.3 vs. 3.7 exp.
 CH: Fixed assets invest. (YTD, y/y%), Apr: 4.2 vs. 4.6 exp.

Good Morning

Global equity markets were little changed into the end of last week in the absence of fresh market catalysts or first-tier economic data. The exception was Chinese stocks which continued to push higher, despite mixed activity data, with investors focused on new measures from policy makers aimed at stabilising the housing market and boosting consumer sentiment. The Hang Seng was close to 1% higher on Friday taking its weekly advance to nearly 4% and is easily the best performing major market in May.

Monthly activity data in China revealed the economy is not rebounding quickly. Although industrial production was strong relative to expectations, consumption remains weak. Retail sales increased 2.3% on annual basis in April, below expectations for a 3.7% gain. The data highlights weak consumer sentiment as the deepening housing adjustment weighs on the economy. Both existing and new house prices continued to fall in April.

Policy makers announced several measures to stabilise the market on Friday. The Peoples Bank of China bank eased property lending requirements and said it would allow more flexibility for minimum mortgage rates. The support package also included central bank funding to assist the purchase of excess inventory from developers which would be converted into affordable housing. This contributed to a 10% rally in an index of property developer stocks.

European Central Bank (ECB) Governing Council member, Isabel Schnabel, warned that expectations of a series of rate cuts by the central bank could be premature. In an interview with the Nikkei newspaper, she outlined it 'may be appropriate' for the ECB to start to cut interest rates at its June policy meeting, but a 'cautious approach is needed beyond that'. This suggests there is a degree of unanimity for a June rate cut, but beyond this, further easing will be data dependent. A 25bps rate cut at the June meeting is fully priced by market and there is a cumulative 66bps of easing priced by December.

Global bond markets moved higher in yield continuing to unwind the post US CPI rally. Schnabel's warning about back-to-back cuts contributed to higher bund yields. The market continued to trim rate cut expectations for the Federal Reserve with policymakers emphasising the desire to see more evidence of progress on inflation. The market is pricing 44bps of Fed rate cuts this year, down from 52bps after the CPI data. US treasury yields moved steadily higher. 2-year yields increased 3bps to 4.82% while 10-year yields increased 4bps to 4.42%, fully reversing the decline from after the CPI data last week.

In currency markets, an initial rally in the US dollar faded and the US dollar index ended little changed. USD/JPY traded higher following news that the Bank of Japan left the amount of bonds it buys at regular operations unchanged. A surprise reduction in bond purchases earlier last week had supported the yen. USD/JPY stalled ahead of 156.00 and ended little changed. CFTC data, reflecting positioning from last Tuesday revealed a further reduction in speculative yen shorts, albeit not on the scale from the previous week.

The NZD remained well supported into the weekly close gaining 0.4% against the US dollar. NZD/USD closed near the session highs and at the highest level in almost 2 months. The NZD was the best performing G10 currency last week advancing close to 2%. The AUD kept pace with the NZD on Friday night leaving NZD/AUD little changed at 0.9165. NZD/EUR traded to fresh 2-month high near 0.5650.

NZ fixed income moved modestly higher in yield in the local session on Friday largely reflecting the directional bias from offshore markets. 10-year government bonds ended 3bps higher at 4.73%. The long end of the curve outperformed modestly. The 10y/30y curve retraced from above 30bps, a level which has capped this spread, on several occasions in recent months. Australian 10-year government bond futures are ~4bps higher in yield, since the local close on Friday, suggesting an upward bias for NZ yields to start the week.

There is no data of note today.

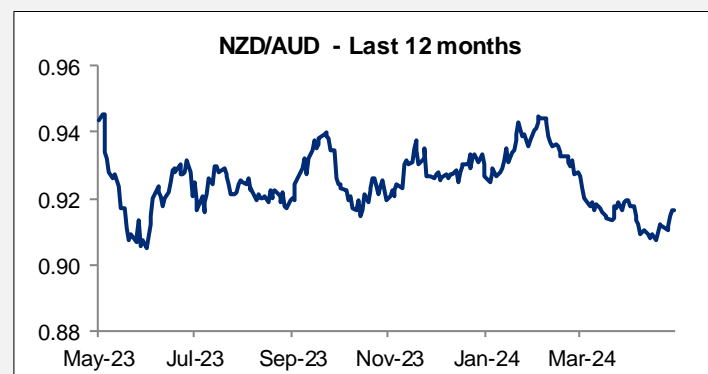
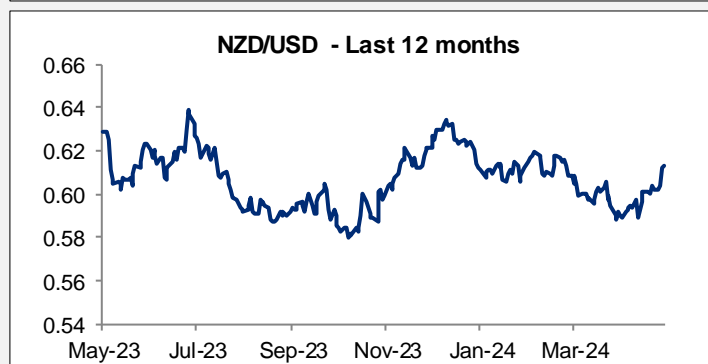
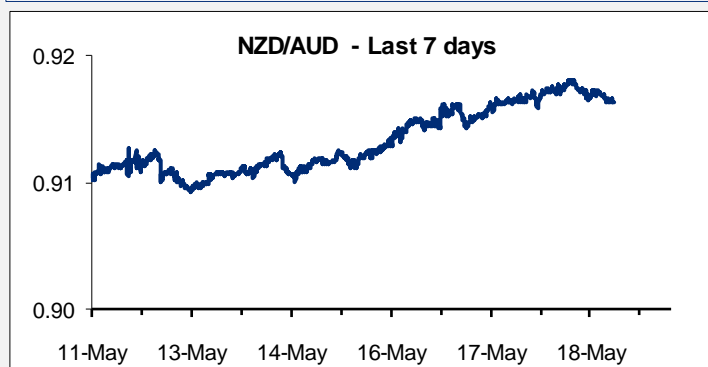
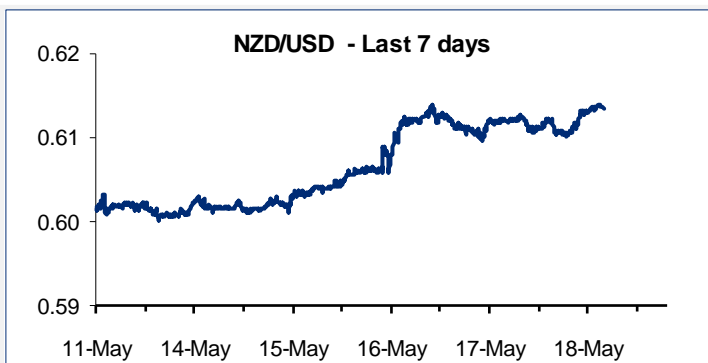
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Currencies								Equities				Commodities			
Global froces		Indicative overnight ranges (*)			Other FX			Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day	
NZD	0.6134	+0.2	0.6101	0.6140	CHF	0.9091	+0.3	S&P 500	5,303	+0.1	27.5	Oil (Brent)	83.98	+0.9	
AUD	0.6694	+0.2	0.6649	0.6701	SEK	10.726	+0.1	Dow	40,004	+0.3	19.7	Oil (WTI)	80.06	+1.0	
EUR	1.0870	+0.0	1.0836	1.0878	NOK	10.681	-0.2	Nasdaq	16,686	-0.1	33.5	Gold	2417.4	+1.3	
GBP	1.2701	+0.2	1.2645	1.2712	HKD	7.802	+0.0	Stoxx 50	5,064	-0.2	17.1	HRC steel	787.0	+0.1	
JPY	155.69	+0.2	155.25	155.98	CNY	7.224	+0.0	FTSE	8,420	-0.2	9.0	CRB	293.8	+1.3	
CAD	1.3611	-0.0			SGD	1.345	-0.1	DAX	18,704	-0.2	17.3	Wheat Chic.	672.0	-1.7	
NZD/AUD	0.9163	-0.0			IDR	15,955	+0.2	CAC 40	8,168	-0.3	10.4	Sugar	18.13	-1.1	
NZD/EUR	0.5643	+0.2			THB	36.12	-0.2	Nikkei	38,787	-0.3	25.9	Cotton	75.89	-0.5	
NZD/GBP	0.4830	-0.1			KRW	1,355	+0.7	Shanghai	3,154	+1.0	-3.9	Coffee	206.6	+4.4	
NZD/JPY	95.50	+0.4			TWD	32.21	+0.4	ASX 200	7,814	-0.8	7.3	WM powder	3265	+0.3	
NZD/CAD	0.8349	+0.2			PHP	57.62	+0.3	NZX 50	11,700	-0.2	-3.3	Australian Futures			
NZ TWI	71.94	+0.2						VIX Index	11.99	-3.5	-28.9	3 year bond	96.16	-0.01	
Interest Rates											10 year bond			95.75	-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	4.73	4.06	USD	4.42	0.04	15-May-26	4.69	0.03	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.35	4.14	4.44	AUD	4.21	0.02	15-Apr-27	4.53	0.02	BKBM 3-mth	5.62	-0.01		
NZD	5.50	5.62	4.91	4.47	NZD	4.60	0.03	15-May-28	4.47	0.02	1 year	5.35	-0.01		
EUR	4.00	3.83	3.32	2.79	GER	2.52	0.06	20-Apr-29	4.44	0.02	2 year	4.91	0.02		
GBP	5.25	5.30	4.52	3.85	GBP	4.13	0.05	15-May-30	4.45	0.02	3 year	4.62	0.01		
JPY	0.08	-0.03	0.40	1.01	JPY	0.95	0.02	15-May-31	4.49	0.02	5 year	4.41	0.02		
CAD	5.00	5.26	4.57	3.94	CAD	3.63	0.06	15-May-32	4.54	0.03	7 year	4.40	0.01		
								NZ Inflation-Indexed Bonds			14-Apr-33			4.56	0.03
											15-May-34			4.60	0.03
											15-May-35			4.65	0.02
											15-May-37			4.75	0.02
											15-May-41			4.87	0.02
											15-May-51			4.87	0.01
											15-May-54			4.90	0.01

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates at NY close
 Source: Bloomberg

NZD exchange rates

18/05/2024	NY close	Prev. NY close
USD	0.6134	0.6122
GBP	0.4830	0.4832
AUD	0.9163	0.9166
EUR	0.5643	0.5634
JPY	95.50	95.13
CAD	0.8349	0.8337
CHF	0.5576	0.5548
DKK	4.2102	4.2030
FJD	1.3751	1.3788
HKD	4.7848	4.7760
INR	51.11	51.12
NOK	6.5505	6.5503
PKR	169.36	170.38
PHP	35.34	35.19
PGK	2.3471	2.3429
SEK	6.5780	6.5597
SGD	0.8249	0.8240
CNY	4.4307	4.4209
THB	22.20	22.12
TOP	1.4336	1.4204
VUV	73.71	73.59
WST	1.6617	1.6582
XPF	67.53	67.42
ZAR	11.1415	11.1346



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.24	0.06
3 Months	-0.65	0.17
6 Months	-0.68	0.33
9 Months	-1.40	2.12
1 Year	0.00	3.00

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.62	-7.89
3 Months	-24.85	-23.19
6 Months	-45.39	-42.57
9 Months	-63.71	-56.12
1 Year	-74.72	-66.52

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