

Research Markets Today

21 May 2024

Events Round-Up

Nothing of note

Good Morning

It has been a quiet start to the week for most markets, with US Treasury yields up slightly, US equities up modestly and modest currency movements. After last week's outperformance, the NZD is trading softer, just above 0.61 after a brief dip below the figure overnight.

There has been significant price action in certain markets, but of no consequence to those just interested in rates, equities and currencies.

Copper prices closed 2% higher on the LME to USD10,889 a ton after trading at a record high above \$11,100 intraday. This reflected a number of factors, including a short squeeze in the NY market that has spilled over, increased speculative trading and more fundamental forces, including tight supply and expectations of higher future demand due to the switch to EVs, renewable energy and AI. Gold prices also traded at a record high, above USD2450.

There was little impact on the oil market after word that Iran's President Raisi was killed in an accidental helicopter crash, with analysts noting that oil products and exports are unlikely to be affected, even if it does add to political uncertainty in the Middle East. Brent crude is down modestly, trading just over USD83.50 per barrel.

NZ spot carbon units under the Emissions Trading Scheme have fallen over 15% over recent trading sessions to \$46, with over half of that fall happening yesterday. Last week the government opened consultation on the annual review of auction settings and other regulations for the NZ ETS. The Commission's new surplus estimate is approximately 68m units, an increase of approximately 19m units on the 2022 estimates. Fair to say that confidence in the ETS is low after the previous government's interference in the market over a year ago. The current government has some work to do to bring confidence back to the market. Lower carbon prices should ultimately be reflected in lower CPI inflation, just as previous increases in carbon prices added to inflation, but we wouldn't hold our breath on that.

US Treasury yields are up 1-2bps across the curve, with traders noting heavy corporate supply early this week

possibly spilling over. There has been plenty of Fed-speak from current FOMC members, but nothing new worth noting. US equities are modestly higher, with some focus on market darling Nvidia's earnings report later this week.

In currency markets, the NZD and AUD have started the week on a softer note, after last week's outperformance, where the NZD gained nearly 2%. Overnight, the NZD briefly traded below 0.61, but it currently sits just over that level. The AUD has fallen to 0.6670 and NZD/AUD is at 0.9155.

JPY has also underperformed, with USD/JPY back up through 156. Japan's 10-year rate traded up through the November high to reach 0.98%, a level not seen since 2013, joining over parts of the yield curve which have recently traded at fresh decade highs, as the market builds in expectations of higher rates and less QE. However, that recent dynamic has seemingly done little to support the yen.

EUR and GBP show little net movement since last week's close. Outgoing BoE deputy Governor Broadbent said that the central bank will be able to cut interest rates "some time over the summer", if things continue to evolve as forecast. The market prices a slightly better than even chance of a 25bps rate cut at the next meeting in June, with a full rate cut priced by the August meeting.

NZGB yields were marked 2bps higher yesterday, in line with Australian rates since the previous close. There was little change in NZ swap rates. The domestic focus is on tomorrow's RBNZ policy update, where the consensus is for not much change in tone from the central bank. The RBNZ is unlikely to give the nod to lower rates until it is more confident that inflation is on a clear path back to target.

In the day ahead, Canadian CPI data are released tonight, which could firm up expectations for an imminent rate cut (July seen more likely than June at this stage) if the data show weaker inflation, in line with consensus expectations. On central bank speak, the market will take some interest in speeches from Fed Governor Waller and BoE Governor Bailey.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Westpac consumer confidence	May	82.4	12:30	
AU	RBA minutes of May policy meeting			13:30	
CA	CPI (y/y%)	Apr	2.7	2.9	00:30
CA	CPI Core (avg median/trim, yoy%)	Apr	2.8	2.95	00:30
US	Fed's Waller discusses US economy			01:00	
UK	BOE's Bailey speaks			05:00	

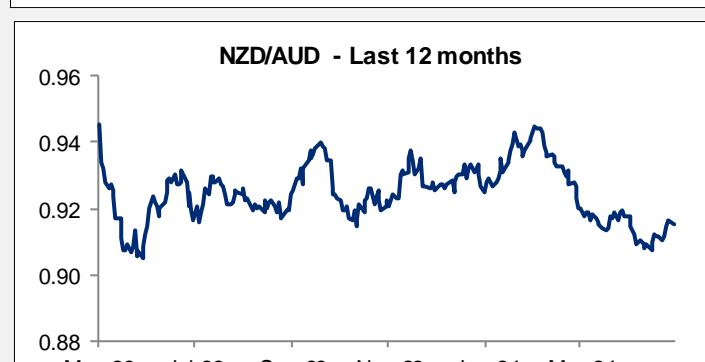
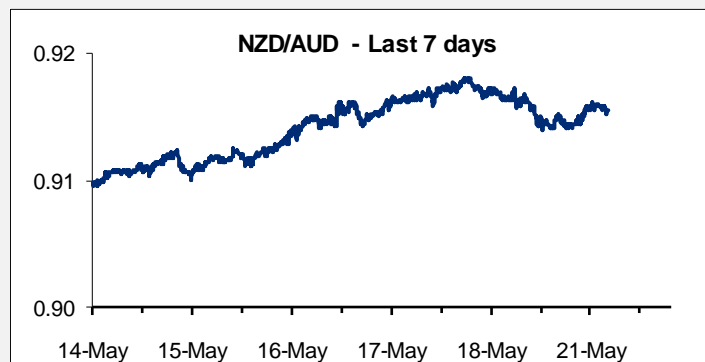
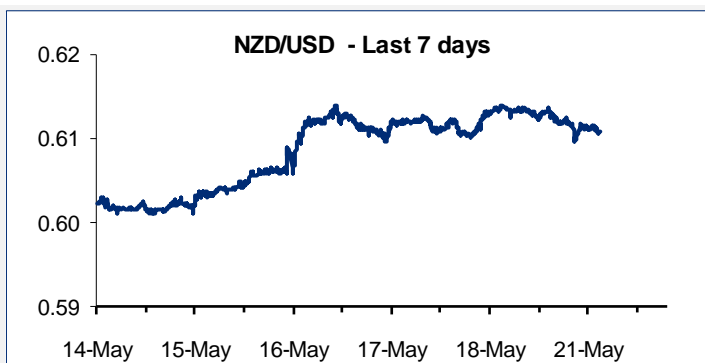
Source: Bloomberg, BNZ

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	0.6109	-0.4	0.6097	0.6128	CHF	0.9098	+0.1		S&P 500	5,313	+0.2	26.8	Oil (Brent)	83.67	-0.4
AUD	0.6672	-0.3	0.6662	0.6701	SEK	10.691	-0.3		Dow	39,837	-0.4	19.2	Oil (WTI)	79.74	-0.4
EUR	1.0865	-0.0	1.0854	1.0881	NOK	10.692	+0.1		Nasdaq	16,792	+0.6	32.7	Gold	2438.6	+0.9
GBP	1.2710	+0.1	1.2689	1.2725	HKD	7.799	-0.0		Stoxx 50	5,074	+0.2	15.4	HRC steel	790.0	+0.4
JPY	156.27	+0.4	155.50	156.27	CNY	7.236	+0.2		FTSE	8,424	+0.0	8.6	CRB	293.8	+1.3
CAD	1.3622	+0.1			SGD	1.347	+0.2		DAX	18,769	+0.3	15.3	Wheat Chic.	707.5	+5.3
NZD/AUD	0.9156	-0.1			IDR	15,978	+0.1		CAC 40	8,196	+0.3	9.4	Sugar	18.68	+3.0
NZD/EUR	0.5623	-0.3			THB	36.07	-0.1		Nikkei	39,070	+0.7	26.8	Cotton	76.03	+0.0
NZD/GBP	0.4806	-0.5			KRW	1,356	+0.1		Shanghai	3,171	+0.5	-3.4	Coffee	206.7	+0.0
NZD/JPY	95.47	-0.0			TWD	32.25	+0.1		ASX 200	7,864	+0.6	8.0	WM powder	3280	+0.5
NZD/CAD	0.8322	-0.3			PHP	57.88	+0.4		NZX 50	11,736	+0.3	-3.0	Australian Futures		
NZ TWI	71.75	-0.3						VIX Index	12.38	+3.3	-26.4	3 year bond	96.13	-0.03	
Interest Rates															
	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	4.74	4.07	USD	4.44	0.02	15-May-26	4.70	0.01	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.34	4.15	4.44	AUD	4.24	0.03	15-Apr-27	4.54	0.02	BKBM 3-mth	5.61	-0.01		
NZD	5.50	5.61	4.90	4.47	NZD	4.62	0.02	15-May-28	4.49	0.02	1 year	5.35	0.00		
EUR	4.00	3.83	3.33	2.80	GER	2.53	0.01	20-Apr-29	4.45	0.02	2 year	4.90	-0.00		
GBP	5.25	5.30	4.55	3.89	GBP	4.17	0.04	15-May-30	4.46	0.02	3 year	4.62	-0.00		
JPY	0.08	-0.03	0.41	1.02	JPY	0.98	0.03	15-May-31	4.51	0.02	5 year	4.41	0.00		
CAD	5.00	5.26	4.57	3.94	CAD	3.63	0.06	15-May-32	4.56	0.02	7 year	4.40	0.00		
								14-Apr-33	4.58	0.02	10 year	4.47	0.00		
								15-May-34	4.62	0.02	15 year	4.62	0.00		
								15-May-35	4.67	0.02					
								15-May-37	4.77	0.02					
								15-May-41	4.88	0.02					
								15-May-51	4.89	0.02					
								15-May-54	4.92	0.02					

* These are indicative r 06:56
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

21/05/2024	6:57 am	Prev. NY close
USD	0.6109	0.6133
GBP	0.4806	0.4829
AUD	0.9156	0.9163
EUR	0.5623	0.5643
JPY	95.47	95.46
CAD	0.8322	0.8348
CHF	0.5558	0.5576
DKK	4.1954	4.2102
FJD	1.3775	1.3751
HKD	4.7641	4.7848
INR	50.91	51.21
NOK	6.5317	6.5505
PKR	168.70	170.68
PHP	35.37	35.34
PGK	2.3388	2.3471
SEK	6.5312	6.5780
SGD	0.8230	0.8249
CNY	4.4201	4.4307
THB	22.01	22.20
TOP	1.4273	1.4336
VUV	73.31	73.71
WST	1.6541	1.6617
XPF	67.28	67.53
ZAR	11.1002	11.1415



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.27	0.07
3 Months	-0.41	0.09
6 Months	-0.54	0.46
9 Months	-0.42	1.86
1 Year	1.01	4.01

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.39	-8.64
3 Months	-24.77	-23.61
6 Months	-45.67	-43.13
9 Months	-63.13	-57.72
1 Year	-73.87	-66.46

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