

Research

Markets Today

22 May 2024

Events Round-Up

AU: Westpac consumer confid., May: 82.2 vs. 82.4 prev.

CA: CPI (y/y%), Apr: 2.7 vs. 2.7 exp.

CA: CPI core (avg med./trim, yoy%), Apr: 2.75 vs. 2.8 exp.

Good Morning

More hawkish commentary from Fed speakers hasn't perturbed the rates market, with US Treasury yields down slightly on the day. US equities are flat and currency movements have been small, with the NZD trading just below the 0.61 mark. Domestic focus will be on the RBNZ's MPS this afternoon, with expectations of little change in tone from previous messages.

It has been another uneventful trading session overnight. US equities are flat to marginally higher, with investors looking to keep their powder dry until after Nvidia's earnings report due tomorrow.

US Treasury yields are down slightly across the curve, despite more hawkish commentary from FOMC members, including Governor Waller. The 10-year rate is down 3bps to 4.41% for the day, with similar moves across other parts of the curve.

Fed Governor Waller, one of the more respected FOMC members, said in a speech on the economy "in the absence of a significant weakening in the labour market, I need to see several more months of good inflation data before I would be comfortable supporting an easing in the stance of monetary policy", adding "we're not seeing anything right now that looks like staying here for three or four months is going to cause the economy to go off a cliff". Reading between the lines, Waller's view seems to be a possibility of a September rate cut at the very earliest, and in a CNBC interview he suggested the Fed could cut at the end of this year, suggesting that his central view is more like a November or December timing.

Atlanta Fed President Bostic, a voter this year, repeated his message earlier in the week that he doesn't expect a rate cut before the fourth quarter. The market is broadly in line with the Waller/Bostic view, with the first full Fed rate cut not priced until November, albeit close to 20bps priced by the September meeting.

Net currency movements have been small, with key majors we follow all within plus or minus 0.2% overnight against the USD. EUR, GBP and JPY all show very little movement. The NZD is trading just under 0.61, a small fall from this time yesterday and down slightly against most other majors.

CAD is on the slightly weaker side after CPI inflation in Canada slowed, as expected, to 2.7% y/y in April, with the core measure (average of median and trimmed mean) down to 2.75%, a larger fall from an upwardly revised 3.05% in March. The data raised the question whether it meets the criteria BoC Governor Macklem laid out for an easing of a "further and sustained easing in core inflation". Following the report, the market priced in a greater chance of easing at the next meeting in June, from 11bps to 15bps, representing a 60% chance of a 25bps cut – the only doubt being whether it waits until the July meeting, where 29bps is priced.

USD/CAD is up a little to 1.3655 and NZD/CAD is flat at 0.8320. The AUD is flat at 0.6665 and NZD/AUD is down a touch to 0.9145.

The GDT dairy auction showed a 3.3% lift in the price index, another positive surprise, with solid gains across all product lines, including a 2.9% lift in whole milk powder and 3.5% for skim milk powder. Fonterra is due to provide its first milk price forecast for the next (2024/25) dairy season sometime before the end of May. Market conditions suggest something above the current forecast for the season just ending.

In the domestic rates market, the NZGB curve showed a small steepening bias, with rates held flat at the short end of the curve and up 3bps for the ultra-long bonds. Swap rates were little changed, with the 2-year rate down a touch and the 10-year rate up a touch, ahead of today's RBNZ Monetary Policy Statement this afternoon. We think that the economy is tracking weaker than the Bank previously projected, while inflation is proving to be stickier, but ultimately weaker growth will drive down inflation. We don't envisage much change in messaging or the projected OCR track, which doesn't see rate cuts until next year. A statement along these lines should result in little sustained market reaction.

UK CPI inflation data tonight should show a sharp fall in inflation, driven by a sharp fall in household energy bills,

taking annual inflation down to just 2.1%. Focus will be on how sticky inflation remains for the services sector.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	RBNZ official cash rate (%)	May	5.5	5.5	14:00
UK	CPI (y/y%)	Apr	2.1	3.2	18:00
UK	CPI core (y/y%)	Apr	3.6	4.2	18:00
US	Existing home sales (m/m%)	Apr	0.8	-4.3	02:00
US	FOMC Meeting Minutes	May			06:00

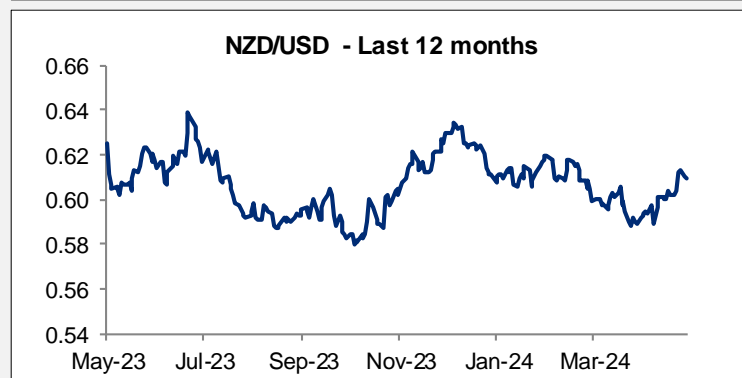
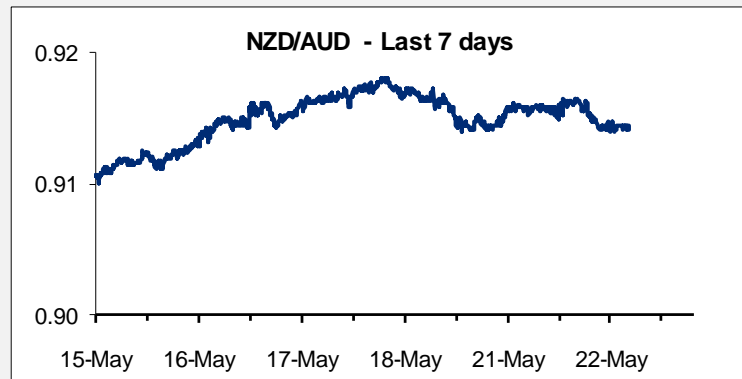
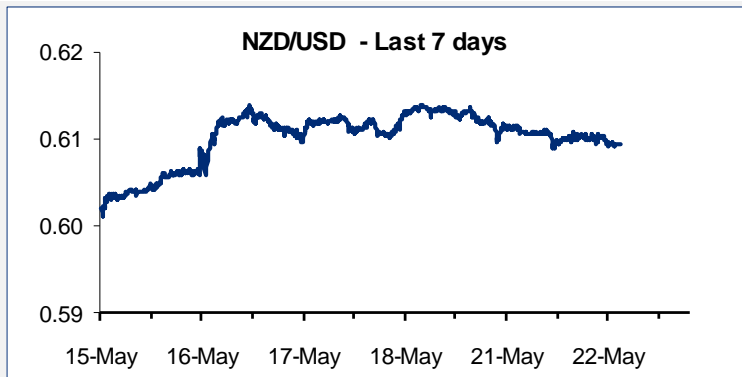
Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.6093	-0.2	0.6088	0.6109	CHF	0.9110	+0.1		S&P 500	5,313	+0.1	26.7	Oil (Brent)	82.81	-1.1
AUD	0.6665	-0.0	0.6654	0.6679	SEK	10.694	+0.0		Dow	39,829	+0.1	19.2	Oil (WTI)	79.26	-0.9
EUR	1.0852	-0.1	1.0843	1.0875	NOK	10.672	-0.3		Nasdaq	16,801	+0.0	32.7	Gold	2423.4	-0.6
GBP	1.2710	+0.0	1.2687	1.2727	HKD	7.805	+0.1		Stoxx 50	5,047	-0.5	14.8	HRC steel	791.0	+0.3
JPY	156.23	-0.0	155.85	156.43	CNY	7.238	+0.0		FTSE	8,416	-0.1	8.5	CRB	295.6	+0.6
CAD	1.3654	+0.2			SGD	1.347	-0.0		DAX	18,727	-0.2	15.1	Wheat Chic.	718.3	+1.3
NZD/AUD	0.9142	-0.2			IDR	15,999	+0.1		CAC 40	8,141	-0.7	8.7	Sugar	18.56	-0.6
NZD/EUR	0.5615	-0.2			THB	36.41	+0.8		Nikkei	38,947	-0.3	25.3	Cotton	76.38	+0.6
NZD/GBP	0.4794	-0.2			KRW	1,363	+0.5		Shanghai	3,158	-0.4	-4.2	Coffee	217.2	+5.1
NZD/JPY	95.19	-0.2			TWD	32.30	+0.2		ASX 200	7,852	-0.2	8.1	WM powder	3300	+0.6
NZD/CAD	0.8319	+0.0			PHP	58.23	+0.6		NZX 50	11,676	-0.5	-2.6	Australian Futures		
NZ TWI	71.65	-0.1						VIX Index	12.09	-0.5	-28.1	3 year bond	96.11	-0.02	
Interest Rates											10 year bond			95.74	0.00
	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	4.05	USD	4.41	-0.03	15-May-26	4.70	-0.00	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.34	4.15	4.44	AUD	4.25	0.01	15-Apr-27	4.54	-0.00	BKBM 3-mth	5.61	0.00		
NZD	5.50	5.61	4.90	4.49	NZD	4.64	0.02	15-May-28	4.49	0.00	1 year	5.36	0.01		
EUR	4.00	3.82	3.30	2.77	GER	2.50	-0.03	20-Apr-29	4.46	0.01	2 year	4.90	-0.01		
GBP	5.25	5.30	4.52	3.85	GBP	4.13	-0.04	15-May-30	4.47	0.01	3 year	4.62	0.00		
JPY	0.08	-0.03	0.41	1.01	JPY	0.98	-0.00	15-May-31	4.52	0.01	5 year	4.42	0.01		
CAD	5.00	5.26	4.51	3.88	CAD	3.57	-0.05	15-May-32	4.57	0.02	7 year	4.42	0.01		
							NZ Inflation-Indexed Bonds			14-Apr-33			4.60	0.02	
										15-May-34			4.64	0.02	
										15-May-35			4.69	0.02	
										15-May-37			4.80	0.03	
										15-May-41			4.91	0.02	
										15-May-51			4.91	0.03	
										15-May-54			4.95	0.03	

* These are indicative r 06:54
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

22/05/2024 6:54 am		Prev. NY close
USD	0.6093	0.6105
GBP	0.4794	0.4805
AUD	0.9142	0.9157
EUR	0.5615	0.5623
JPY	95.19	95.40
CAD	0.8319	0.8318
CHF	0.5551	0.5559
DKK	4.1895	4.1954
FJD	1.3763	1.3790
HKD	4.7554	4.7610
INR	50.76	50.87
NOK	6.5025	6.5341
PKR	168.26	169.90
PHP	35.49	35.34
PGK	2.3327	2.3391
SEK	6.5160	6.5261
SGD	0.8210	0.8226
CNY	4.4099	4.4172
THB	22.13	22.00
TOP	1.4101	1.4341
VUV	73.20	73.31
WST	1.6511	1.6501
XPF	67.15	67.31
ZAR	11.0124	11.1113

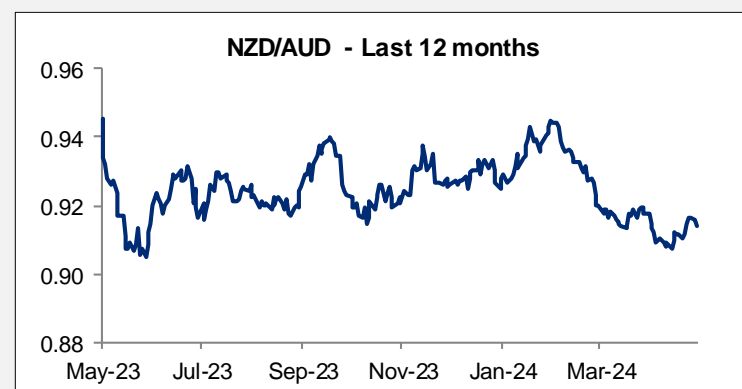


NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.19	0.11
3 Months	-0.37	0.13
6 Months	-0.87	0.13
9 Months	-1.26	0.83
1 Year	-0.29	2.71

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.03	-8.36
3 Months	-24.79	-23.62
6 Months	-46.28	-43.42
9 Months	-63.14	-58.22
1 Year	-74.49	-67.32



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