

Research Markets Today

27 May 2024

Events Round-Up

NZ: ANZ consumer confidence, May: 84.9 vs. 82.1 prev.
 NZ: Trade balance (annual \$b), Apr: -10 vs. -10 prev.
 UK: GfK consumer confidence, May: -17 vs. -18 exp.
 JN: CPI (y/y%), Apr: 2.5 vs. 2.4 exp.
 JN: CPI ex fresh food, energy (y/y%), Apr: 2.4 vs. 2.4 exp.
 UK: Retail sales ex auto fuel (m/m%), Apr: -2.0 vs. -0.8 exp.
 CA: Retail sales ex auto (m/m%), Mar: -0.6 vs. 0.3 exp.
 US: Durable goods orders (m/m%), Apr: 0.7 vs. -0.8 exp.
 US: Durables ex transport (m/m%), Apr: 0.4 vs. 0.1 exp.
 US: U. of Mich. cons. sentiment, May: 69.1 vs. 67.7 exp.
 US: U. of Mich. 5-10y inflation exp., May: 3.0 vs. 3.1 exp.

Good Morning

Global equity markets were mixed into the end of last week. Major European indices were marginally lower, closing at the weakest level in two weeks and the Hang Seng dropped 1.6%, extending the correction after the sharp move higher over the past month. The S&P gained 0.7% after data showed US inflation expectations had receded. Trading volumes were below average ahead of the US public holiday. Tech stocks led the rally and the Nasdaq closed at a fresh record high. Treasuries were little changed, while the US dollar was weaker.

University of Michigan consumer sentiment was stronger than the preliminary reading and inflation expectations retraced. Consumers' expectations for five-to-10 years inflation decreased to 3.0%, from 3.1%, earlier in the month. Separately, US durable goods orders rose by 0.7% in April, above the consensus for a fall of 0.8%, though there were downward revisions to the previous month.

Influential Federal Reserve Governor Waller didn't provide views on the near-term outlook for monetary policy when speaking at an economic conference in Iceland. He said he still thinks the neutral interest rate is relatively low but also warned that unsustainable fiscal spending could alter this view.

UK retail sales fell much more than expected in April which was attributed to wet weather during the month. Core sales fell 2.0% compared with consensus expectations for a 0.8% fall. The fall in retail sales is set against the backdrop of improving consumer confidence. An index compiled by

GfK showed consumers' confidence rose to the highest level in more than two years. The pound briefly weakened following the data.

US 10-year treasury yields moved higher initially, reaching an intra-day peak of 4.50% before retracing to close 1bp higher at 4.46%, with the bond market closing early ahead of the Memorial Day holiday. Lower inflation expectations contributed to the reversal in yields. 2-year treasuries closed 1bps higher at 4.95% and are approaching the 5.00/5.05% region which contained the topside through April.

The US dollar steadily declined into the weekly close with the dollar index falling 0.3%. There was any apparent catalyst. Alongside the dollar, both the yen and swiss franc which are also defensive currencies, underperformed within the G10. CFTC data revealed speculative accounts have continued to trim aggregate dollar long positions for the fourth consecutive week. NZD/USD closed near the session highs just below 0.6125. The NZD was stable on most of the key cross rates though NZD/JPY matched recent multi-year highs above 96.00.

NZ government bonds ended the local session on Friday 3-4bps higher in yield in a largely uniform move across the curve. 10-year bond yields increased 4bps to 4.78%. There were similar moves across swaps. 2-year rates closed up 5bps at 5.12%, some 20bps higher on the week following the hawkish pivot from the RBNZ. The market looked past consumer inflation expectations in the ANZ consumer confidence report, which have fallen back into the pre-pandemic range.

Australian 10-year government bond futures are unchanged from the local close on Friday, suggesting limited directional bias for NZ yields to start the week.

There is no domestic data in the day ahead. The IFO is released in Germany later this evening. The composite PMI rose to 52.2 last week indicating that private sector activity grew at the fastest pace in a year.

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Coming Up

	Period	Cons.	Prev.	NZT
GE IFO Expectations	May	90.5	89.9	20:00

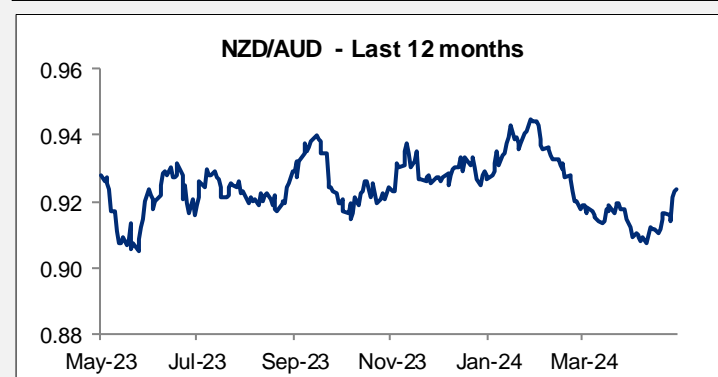
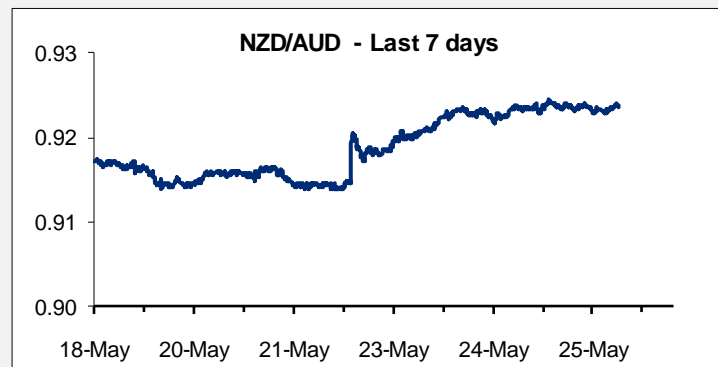
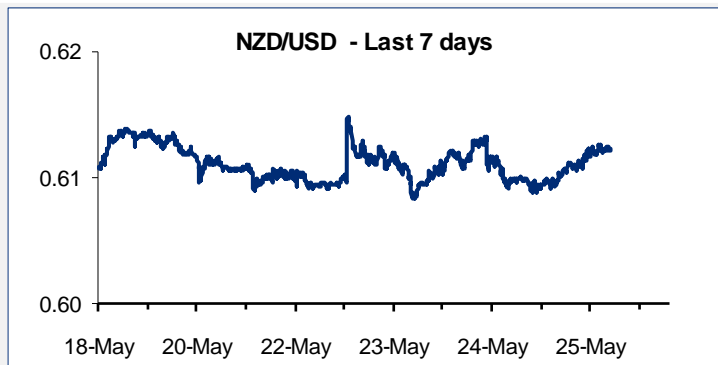
Source: Bloomberg, BNZ

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	0.6121	+0.4	0.6092	0.6127	CHF	0.9147	+0.0	S&P 500	5,305	+0.7	28.9	Oil (Brent)	82.12	+0.9		
AUD	0.6628	+0.3	0.6598	0.6637	SEK	10.674	-0.6	Dow	39,070	+0.0	19.1	Oil (WTI)	77.72	+1.1		
EUR	1.0847	+0.3	1.0814	1.0858	NOK	10.581	-0.9	Nasdaq	16,921	+1.1	35.5	Gold	2334.5	-0.1		
GBP	1.2738	+0.3	1.2694	1.2751	HKD	7.813	+0.1	Stoxx 50	5,035	-0.0	16.1	HRC steel	789.0	+0.0		
JPY	156.98	+0.0	156.82	157.13	CNY	7.244	+0.0	FTSE	8,318	-0.3	9.1	CRB	294.3	+0.2		
CAD	1.3665	-0.5			SGD	1.350	-0.1	DAX	18,693	+0.0	17.0	Wheat Chic.	717.5	-0.1		
NZD/AUD	0.9235	+0.0			IDR	15,995	-0.0	CAC 40	8,095	-0.1	10.6	Sugar	18.41	+0.8		
NZD/EUR	0.5643	+0.0			THB	36.71	+0.2	Nikkei	38,646	-1.2	25.0	Cotton	80.52	-1.5		
NZD/GBP	0.4805	+0.0			KRW	1,369	+0.5	Shanghai	3,089	-0.9	-3.8	Coffee	218.3	+1.2		
NZD/JPY	96.08	+0.4			TWD	32.26	+0.1	ASX 200	7,728	-1.1	8.0	WM powder	3230	-0.6		
NZD/CAD	0.8364	-0.1			PHP	58.19	+0.1	NZX 50	11,783	-0.2	-0.4	Australian Futures				
NZ TWI	72.08	+0.3						VIX Index	11.93	-6.6	-40.4	3 year bond	96.02	-0.05		
Interest Rates												10 year bond			95.69	0.02
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	5.60	4.84	4.09	USD	4.47	-0.01	15-May-26	4.88	0.04	BKBM 1-mth	5.60	0.00			
AUD	4.35	4.34	4.23	4.49	AUD	4.31	0.05	15-Apr-27	4.71	0.04	BKBM 3-mth	5.62	0.00			
NZD	5.50	5.62	5.12	4.62	NZD	4.78	0.04	15-May-28	4.65	0.04	1 year	5.52	0.02			
EUR	4.00	3.80	3.41	2.84	GER	2.58	-0.01	20-Apr-29	4.60	0.04	2 year	5.12	0.05			
GBP	5.25	5.30	4.74	3.96	GBP	4.26	0.00	15-May-30	4.62	0.04	3 year	4.83	0.06			
JPY	0.08	-0.03	0.42	1.04	JPY	1.01	0.00	15-May-31	4.66	0.03	5 year	4.60	0.06			
CAD	5.00	5.24	4.57	3.90	CAD	3.60	-0.02	15-May-32	4.71	0.03	7 year	4.57	0.05			
					NZ Inflation-Indexed Bonds			14-Apr-33	4.74	0.04	10 year	4.62	0.05			
					Sep-30	2.36	0.03	15-May-34	4.78	0.04	15 year	4.76	0.04			
					Sep-35	2.68	0.04	15-May-35	4.82	0.04						
					Sep-40	2.87	0.04	15-May-37	4.92	0.04						
								15-May-41	5.02	0.04						
								15-May-51	5.02	0.04						
								15-May-54	5.06	0.04						

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

NZD exchange rates

25/05/2024	NY close	Prev. NY close
USD	0.6121	0.6099
GBP	0.4805	0.4803
AUD	0.9235	0.9233
EUR	0.5643	0.5639
JPY	96.08	95.71
CAD	0.8364	0.8373
CHF	0.5599	0.5576
DKK	4.2108	4.2078
FJD	1.3870	1.3830
HKD	4.7826	4.7629
INR	50.86	50.79
NOK	6.4768	6.5115
PKR	169.03	169.74
PHP	35.62	35.46
PGK	2.3461	2.3359
SEK	6.5338	6.5472
SGD	0.8263	0.8245
CNY	4.4338	4.4174
THB	22.45	22.28
TOP	1.4182	1.4310
VUV	73.75	73.52
WST	1.6572	1.6554
XPF	67.50	67.33
ZAR	11.2733	11.2706



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.21	0.19
3 Months	-0.77	0.37
6 Months	-1.91	-0.91
9 Months	-6.50	0.14
1 Year	-5.59	-2.59

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.91	-8.05
3 Months	-26.01	-23.84
6 Months	-49.08	-46.18
9 Months	-72.99	-60.45
1 Year	-85.16	-76.63

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