

Research Markets Today

29 May 2024

Events Round-Up

JN: Services PPI, Apr: 2.8 vs. 2.4 prev.

AU: Retail sales (m/m%), Apr: 0.1 vs. 0.2 exp.

US: Conf. Board consumer confid., May: 102 vs. 96 exp.

EC: ECB yr-ahead inflation expect., Apr: 2.9 vs 3.0 prev.

Good Morning

A surprise jump in US consumer confidence and weak demand for US Treasuries at the 2 and 5-year auctions have driven up US rates, the 10-year rate rising over 7bps. This reversed earlier weakness in the USD, resulting in small net currency movements for the day. After reaching a fresh 11-week high of 0.6170 overnight, the NZD has fallen back down to 0.6140.

The Conference Board measure of consumer confidence unexpectedly rose for the first time in four months, up 4.5pts to 102.0, driven mostly by the expectations component. The data defied the consensus looking for another dip lower. Views on the labour market and stockmarket were more positive while the report noted consumers citing higher prices, especially for food and groceries, as having the greatest impact on their view of the US economy.

The strong data followed last week's much stronger composite PMI index, which broke the run of weaker US economic data. Citigroup's US economic surprise index now shows a decisive positive turnaround. Again, the stronger data drove a lift in US rates across the curve and adding to the uplift in Treasury yields was weak demand at both the two and five-year auctions. The bid-cover ratio for the 5-year auction was the lowest since September 2022 and for the 2-year auction was the lowest since November 2021. Both cleared at least a basis point higher than prevailing rates and dealers were left with higher than usual stock. The 2-year rate is currently up 3bps to 4.97%, approaching the highs for the year, and the 10-year rate is up over 7bps to 4.54%.

Higher rates impacted US equities, with the S&P index currently down 0.4% after a positive open following the long weekend. The Euro Stoxx 600 index fell 0.6%, with European 10-year rates up in the order of 5bps.

Higher rates supported the USD, although the recovery offset some losses earlier in the session, muting the overall gain for the day, with dollar indices only slightly higher. Ahead of the data, the NZD reached an 11-week high of 0.6170 before falling back to 0.6140. The AUD met some resistance at 0.6680 and is back down to 0.6640. NZD/AUD is flat near 0.9240.

Other majors also don't show much net movement for the day and NZD crosses are little changed. In other economic news, consumer inflation expectations edged lower in April according to an ECB survey, with the year-ahead measure down from 3.0% to 2.9%, the lowest level since September 2021, while the 3-years-ahead measure fell from 2.5% to 2.4%, although remaining relatively steady over the past year. The Dutch Central Bank Governor Knot said that "policy rates will slowly but gradually move to less restrictive levels...the precise timing, speed and scale" will be data dependent, with the ECB's projections being a key ingredient. He noted that cutting rates on a quarterly basis was his preferred strategy.

Yesterday, the Japan services PPI rose by a much stronger than expected 2.8% y/y in April, to its highest level in more than 30-years (excluding periods when the sales tax was lifted), adding to the case that the BoJ should be tightening policy further.

After last week's selloff, which took prices down to a three-month, oil prices are stronger, with WTI crude up 3% and Brent crude up 1½%. Traders report better trading conditions from an oversold level and a higher geopolitical risk premium, with another vessel attacked in the Red Sea and Israeli tanks reaching the centre of Rafah in Gaza.

The domestic rates market continued its post-RBNZ MPS streak of underperforming on a cross-market basis. Caution ahead of tomorrow's Budget, where a lift in the bond programme on the deteriorating fiscal accounts is widely anticipated, is another factor for market sentiment. NZGB yields were up 3bps across the curve while swap rates were up 2-4bps.

On the calendar, for the ANZ NZ business outlook survey, only the inflation/pricing indicators matter, which is where the RBNZ's focus is on, given its revealed preference to be unconcerned about the weak state of the economy. The Australian monthly CPI indicator is heavily weighted to good prices early in the quarter, so not too much should be

read into it. German CPI data tonight are expected to show a lift in annual inflation from 2.4% to 2.7%.

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Coming Up

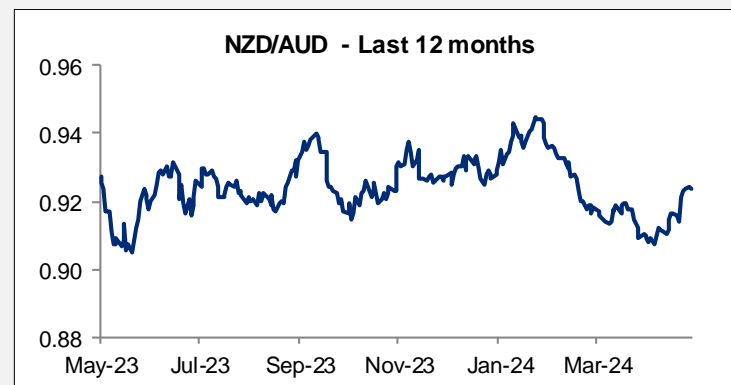
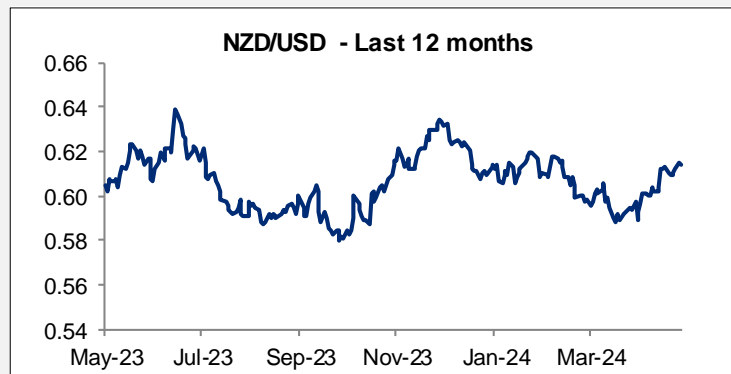
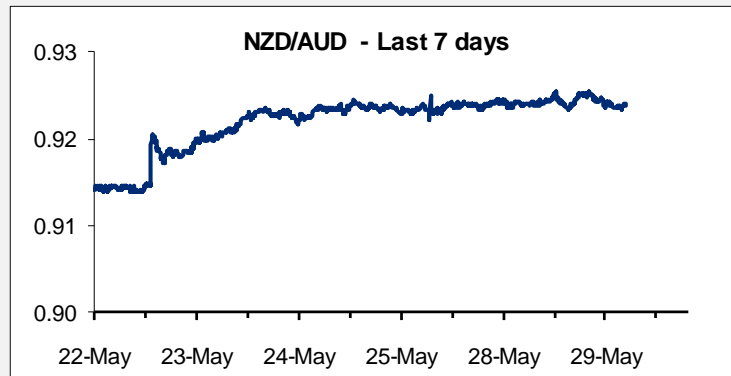
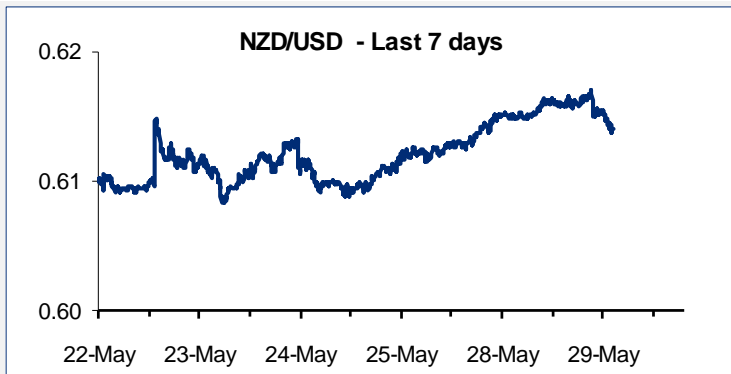
		Period	Cons.	Prev.	NZT
NZ	ANZ activity outlook (net%)	May	14.3	13:00	
AU	CPI (y/y%)	Apr	3.4	3.5	13:30
GE	GfK consumer confidence	Jun	-22.5	-24.2	18:00
GE	CPI EU harmonised (y/y%)	May	2.7	2.4	00:00

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	0.6140	-0.1	0.6138	0.6170	CHF	0.9123	-0.2		S&P 500	5,287	-0.3	25.7	Oil (Brent)	84.39	+1.6			
AUD	0.6647	-0.1	0.6643	0.6680	SEK	10.577	-0.4		Dow	38,764	-0.8	17.1	Oil (WTI)	80.06	+3.0			
EUR	1.0857	-0.0	1.0855	1.0889	NOK	10.508	+0.1		Nasdaq	16,953	+0.2	30.7	Gold	2354.9	+0.9			
GBP	1.2757	-0.1	1.2754	1.2801	HKD	7.812	+0.0		Stoxx 50	5,030	-0.6	16.0	HRC steel	791.0	+0.3			
JPY	157.13	+0.2	156.59	157.15	CNY	7.245	+0.0		FTSE	8,254	-0.8	8.2	CRB	294.3	+0.2			
CAD	1.3648	+0.1			SGD	1.349	-0.0		DAX	18,678	-0.5	16.9	Wheat Chic.	723.0	+0.8			
NZD/AUD	0.9237	-0.0			IDR	16,090	+0.1		CAC 40	8,058	-0.9	10.1	Sugar	18.73	+1.7			
NZD/EUR	0.5655	-0.1			THB	36.59	+0.1		Nikkei	38,855	-0.1	24.4	Cotton	82.43	+2.0			
NZD/GBP	0.4813	-0.0			KRW	1,358	-0.4		Shanghai	3,110	-0.5	-3.5	Coffee	231.0	+5.8			
NZD/JPY	96.48	+0.0			TWD	32.18	+0.0		ASX 200	7,767	-0.3	7.6	WM powder	3245	+0.6			
NZD/CAD	0.8380	-0.0			PHP	57.96	-0.3		NZX 50	11,683	-0.6	-2.1	Australian Futures					
NZ TWI	72.26	-0.1						VIX Index	13.26	+7.3	-26.1	3 year bond	96.05	0.01				
Interest Rates														10 year bond			95.64	-0.07
	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	4.87	4.18	USD	4.54	0.08	15-May-26	4.93	0.03	BKBM 1-mth	5.60	0.00					
AUD	4.35	4.34	4.24	4.52	AUD	4.26	-0.02	15-Apr-27	4.76	0.03	BKBM 3-mth	5.63	0.00					
NZD	5.50	5.63	5.15	4.65	NZD	4.82	0.03	15-May-28	4.69	0.03	1 year	5.54	0.00					
EUR	4.00	3.80	3.38	2.84	GER	2.59	0.05	20-Apr-29	4.64	0.03	2 year	5.15	0.02					
GBP	5.25	5.30	4.74	3.98	GBP	4.28	0.02	15-May-30	4.65	0.03	3 year	4.88	0.03					
JPY	0.08	-0.03	0.43	1.07	JPY	1.03	0.01	15-May-31	4.70	0.03	5 year	4.65	0.04					
CAD	5.00	5.24	4.60	4.00	CAD	3.70	0.07	15-May-32	4.75	0.03	7 year	4.61	0.04					
								NZ Inflation-Indexed Bonds										
* These are indicative r06:57								Sep-30	2.34	0.00	15-May-33	4.78	0.03	10 year	4.65	0.03		
please confirm rates with your BNZ dealer								Sep-35	2.66	0.00	15-May-34	4.82	0.03	15 year	4.78	0.03		
Rates are as of: NZT								Sep-40	2.85	0.00	15-May-35	4.86	0.03					
Source: Bloomberg											15-May-37	4.96	0.03					
											15-May-41	5.06	0.03					
											15-May-51	5.07	0.03					
											15-May-54	5.10	0.03					

NZD exchange rates

29/05/2024 6:57 am		Prev. NY close
USD	0.6140	0.6149
GBP	0.4813	0.4816
AUD	0.9237	0.9241
EUR	0.5655	0.5663
JPY	96.48	96.47
CAD	0.8380	0.8383
CHF	0.5602	0.5618
DKK	4.2193	4.2251
FJD	1.3804	1.3862
HKD	4.7963	4.8010
INR	51.07	51.12
NOK	6.4519	6.4553
PKR	170.88	169.80
PHP	35.59	35.74
PGK	2.3525	2.3559
SEK	6.4943	6.5283
SGD	0.8282	0.8297
CNY	4.4481	4.4546
THB	22.49	22.52
TOP	1.4206	1.4247
VUV	73.96	74.07
WST	1.6632	1.6676
XPF	67.65	67.74
ZAR	11.2243	11.2908



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.20	0.16
3 Months	-0.40	0.06
6 Months	-1.66	-0.67
9 Months	-4.06	-2.06
1 Year	-5.88	-2.88

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.30	-7.54
3 Months	-25.34	-24.23
6 Months	-47.61	-44.74
9 Months	-67.70	-62.44
1 Year	-83.80	-75.63

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