

Research Markets Today

30 May 2024

Events Round-Up

NZ: ANZ activity outlook (net%), May: 11.8 vs. 14.3 prev.

AU: CPI (y/y%), Apr: 3.6 vs. 3.4 exp.

GE: GfK consumer confidence, Jun: -20.9 vs. -22.5 exp.

GE: CPI EU harmonised (y/y%), May: 2.8 vs. 2.7 exp.

Good Morning

A continued move higher in global bond yields and further tepid demand for US treasury supply weighed on investor risk appetite. Major European equity indices fell close to 1% lower while the S&P is down 0.5% in early afternoon trade. There was limited economic data to provide the market with direction. The US dollar advanced alongside higher bond yields and made broad-based gains against developed market currencies.

German inflation was stronger than expected in May. Annual CPI increased to 2.8% from 2.4% in April primarily due to base effects for transport prices. This was above median forecasts for a 2.7% increase. The market looks ahead to preliminary CPI data for the Eurozone which is published tomorrow night. A 25bps rate cut by the European Central Bank next week is widely expected and largely discounted by the market. There is close to 60bps of ECB cuts priced by the end of the year.

Global bond yields moved steadily higher. German 10-year bunds closed 10bps higher at 2.69%. Treasury yields hit the session high after a weak US\$44 billion 7-year auction. The runup in yields didn't stimulate investor demand and the auction tailed by more than a basis point and the bid-cover was weak. This follows soft demand for two- and five-year notes earlier in the week. 10-year treasuries are 7bps higher at 4.62%. 10-year JGB yields increased 6bps to 1.09% which is the highest level since 2011.

The US dollar made broad-based gains against G10 currencies in line with the move in treasury yields and the soft risk tone. The dollar index is up almost 0.4%. The Swiss franc outperformed within the G10 reflecting its defensive characteristics and was only modestly weaker against the dollar. EUR/GBP briefly traded below 0.8500 to the lowest level in almost two years.

The Chinese yuan has reached the weakest level since the end of last year with Chinese policy makers allowing the

currency to depreciate set against the backdrop of a resilient US dollar. The PBOC set its daily reference rate at the weakest level since January. The pace of the fixing adjustment has been gradual and aligns with greater demand for foreign currencies related to commercial payments as well as the broader macro backdrop.

NZD/USD moved lower reflecting the stronger US dollar and extended the decline from two-month highs near 0.6170 earlier in the week. NZD/USD found a base ahead of 0.6110 overnight. NZD/AUD recovered back above 0.9240, having fallen yesterday following stronger than expected inflation data, that reduced expectations of the Reserve Bank of Australia cutting rates this year.

NZ fixed income yields moved higher across the curve local session yesterday with a bear steepening bias. 2-year swaps rates were up 4bps at 5.20% and have reached levels which have capped moves higher through this year. 10-year swap rates increased 8bps to 4.73, also getting towards the top end of the 2024 trading range at 4.80%. ANZ business confidence data revealed further falls in pricing intentions and inflation expectations, but the market impact was negligible. NZ-AU rate spreads tightened after the upside surprise to Australian CPI.

New Zealand Debt Management announced the joint lead managers for the syndicated tap of the 15 May 2028 nominal bond yesterday. It seems likely that this transaction will be launched imminently with the start of next week a potential window. The weekly government bond tender has been delayed till tomorrow to avoid clashing with the Budget this afternoon.

Australian 10-year bond futures are ~4bps higher in yield overnight, suggesting an upward bias to NZGB yields on the open.

The domestic focus will centre on the Budget today. Finance Minister Willis has already flagged that the operating balance for 2024/25 will deteriorate relative to the Half Year Economic and Fiscal Update in December. The market will be closely monitoring the Treasury's projections with the RBNZ noting the fiscal backdrop as a potential upside risk to the inflation backdrop at its Monetary Policy Statement last week.

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Coming Up

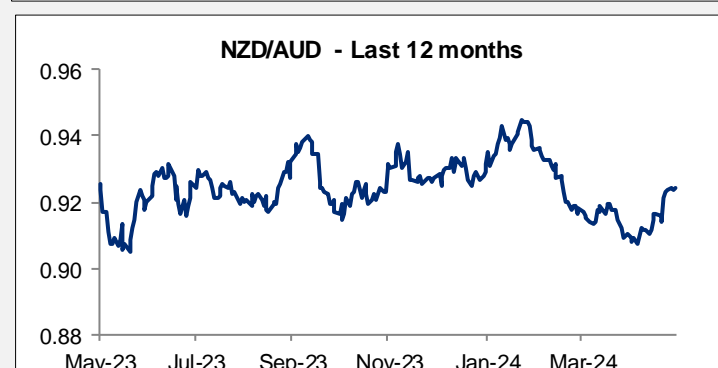
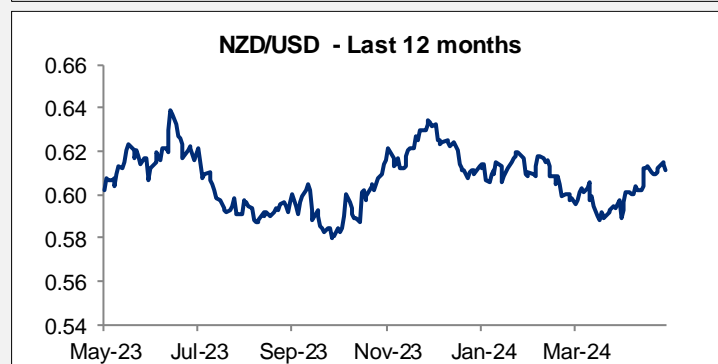
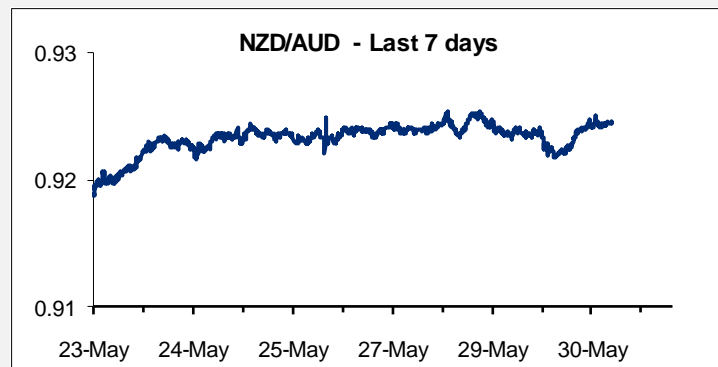
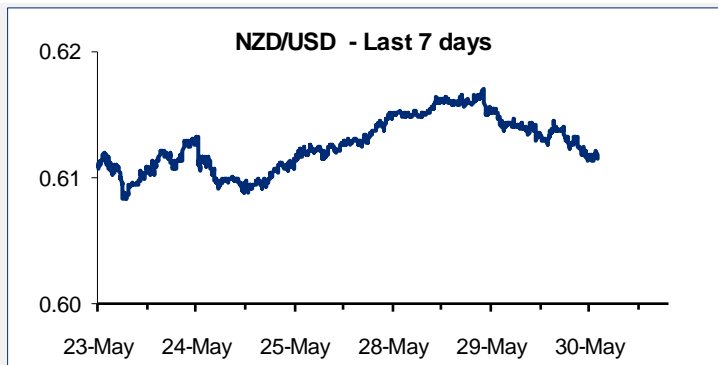
		Period	Cons.	Prev.	NZT
NZ	Building Permits (m/m%)	Apr	-0.2	10:45	
AU	Private Capital Expenditure (%)	1Q	0.7	0.8	13:30
AU	Building Approvals (m/m%)	Apr	1.8	1.9	13:30
NZ	New Zealand Government Budget				14:00
EC	Economic Confidence	May	96.2	95.6	21:00
EC	Unemployment Rate	Apr	6.5	6.5	21:00
US	GDP Annualized (%)	1Q S	1.2	1.6	00:30
US	Core PCE Price Index (%)	1Q S	3.7	3.7	00:30
US	Initial Jobless Claims	May-25	217	215	00:30
US	Advance Goods Trade Balance	Apr	-92.3	-91.8	00:30
US	Pending Home Sales (m/m%)	Apr	-1	3.4	02:00
US	Fed's Williams Speaks				04:05

Currencies					Equities					Commodities				
Global froces					Major Indices					Price (Near futures, except CRB)				
Indicative overnight ranges (*)					Other FX									
	Last	% Day	Low	High	Last	% Day		Last	% Day	% Year	Last	Net Day		
NZD	0.6115	-0.4	0.6112	0.6145	CHF	0.9139	+0.2	S&P 500	5,277	-0.6	25.5	Oil (Brent)	83.61	-0.7
AUD	0.6615	-0.5	0.6612	0.6662	SEK	10.670	+0.9	Dow	38,461	-1.0	16.2	Oil (WTI)	79.26	-0.8
EUR	1.0809	-0.4	1.0807	1.0859	NOK	10.594	+0.8	Nasdaq	16,952	-0.4	30.6	Gold	2341.3	-0.7
GBP	1.2706	-0.4	1.2705	1.2772	HKD	7.813	+0.0	Stoxx 50	4,963	-1.3	14.9	HRC steel	778.0	-0.3
JPY	157.67	+0.3	157.02	157.71	CNY	7.249	+0.1	FTSE	8,183	-0.9	7.3	CRB	300.2	+2.0
CAD	1.3713	+0.5			SGD	1.352	+0.2	DAX	18,473	-1.1	15.8	Wheat Chic.	713.8	-0.9
NZD/AUD	0.9244	+0.1			IDR	16,160	+0.4	CAC 40	7,935	-1.5	8.6	Sugar	18.35	-2.2
NZD/EUR	0.5657	+0.1			THB	36.81	+0.6	Nikkei	38,557	-0.8	23.1	Cotton	81.10	-1.4
NZD/GBP	0.4813	+0.0			KRW	1,365	+0.5	Shanghai	3,111	+0.0	-3.5	Coffee	229.5	-0.5
NZD/JPY	96.42	-0.1			TWD	32.31	+0.4	ASX 200	7,666	-1.3	6.3	WM powder	3265	+0.6
NZD/CAD	0.8385	+0.1			PHP	58.46	+0.9	NZX 50	11,679	-0.0	-1.7	Australian Futures		
NZ TWI	72.17	-0.1						VIX Index	13.84	+7.1	-22.9	3 year bond	95.93	-0.12
												10 year bond	95.54	-0.10
Interest Rates					NZ Government Bonds					NZ BKBM and Swap Yields				
Rates					Benchmark 10 Yr Bonds									
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg		
USD	5.50	5.61	4.88	4.25	USD	4.61	0.06	15-May-26	4.99	0.05	BKBM 1-mth	5.60	0.00	
AUD	4.35	4.34	4.31	4.61	AUD	4.40	0.14	15-Apr-27	4.82	0.06	BKBM 3-mth	5.63	-0.00	
NZD	5.50	5.63	5.20	4.73	NZD	4.89	0.07	15-May-28	4.75	0.06	1 year	5.55	0.01	
EUR	4.00	3.79	3.41	2.93	GER	2.69	0.10	20-Apr-29	4.71	0.06	2 year	5.20	0.04	
GBP	5.25	5.30	4.80	4.10	GBP	4.40	0.12	15-May-30	4.72	0.06	3 year	4.93	0.05	
JPY	0.08	-0.03	0.45	1.12	JPY	1.09	0.06	15-May-31	4.76	0.07	5 year	4.71	0.06	
CAD	5.00	5.23	4.62	4.07	CAD	3.76	0.06	15-May-32	4.81	0.07	7 year	4.68	0.07	
								14-Apr-33	4.85	0.07	10 year	4.73	0.08	
								15-May-34	4.89	0.07	15 year	4.86	0.08	
								15-May-35	4.94	0.07				
								15-May-37	5.03	0.07				
								15-May-41	5.13	0.07				
								15-May-51	5.13	0.07				
								15-May-54	5.17	0.07				

* These are indicative r 06:44
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

30/05/2024	6:44 am	Prev. NY close
USD	0.6115	0.6141
GBP	0.4813	0.4812
AUD	0.9244	0.9235
EUR	0.5657	0.5656
JPY	96.42	96.52
CAD	0.8385	0.8380
CHF	0.5588	0.5604
DKK	4.2207	4.2203
FJD	1.3680	1.3840
HKD	4.7776	4.7970
INR	50.96	51.08
NOK	6.4784	6.4543
PKR	170.18	169.58
PHP	35.73	35.60
PGK	2.3438	2.3529
SEK	6.5249	6.4936
SGD	0.8266	0.8282
CNY	4.4329	4.4488
THB	22.47	22.50
TOP	1.4294	1.4209
VUV	73.55	73.98
WST	1.6569	1.6634
XPF	67.52	67.66
ZAR	11.2469	11.2242



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.10	0.08
3 Months	-0.39	-0.04
6 Months	-1.93	-0.93
9 Months	-4.32	-2.32
1 Year	-6.66	-3.67

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.86	-7.36
3 Months	-24.78	-23.83
6 Months	-46.77	-44.00
9 Months	-66.06	-60.97
1 Year	-81.61	-74.14

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