

Research Markets Today

2 April 2024

Events Round-Up

JN: Tankan Large Mfg Index, 1Q: 11 vs 10 exp.
 CH: Caixin China PMI Mfg, Mar: 51.1 vs. 51 exp.
 US: ISM Manufacturing, Mar: 50.3 vs. 48.3 exp.

Good Morning

Stronger than expected US ISM manufacturing data contributed to sharply higher treasury yields, which supported the dollar, and saw US equities start the new quarter on a soft note. The S&P was down 0.4% in early afternoon trade. Gold prices retreated from record highs near US\$2265 per ounce. China equities made strong gains with the CSI 300 Index up more than 1.5%, supported by a rebound in manufacturing activity. The manufacturing PMI rose to the highest level in a year raising hopes the economic recovery gained traction in March.

Federal Reserve Chair Powell repeated at the end of last week that the central bank isn't in a hurry to cut rates with policy makers looking for further confirmation that inflation is contained. He also said the Fed's preferred gauge of inflation was 'pretty much in line with our expectations'. February's core PCE deflator rose 0.3%, which was in line with the consensus. The annual rate fell to 2.8% from 2.9% in January.

The ISM manufacturing PMI rose to 50.3 in March which exceeded all economist estimates. It was the first time the index moved into expansionary territory since September 2022. The production index reached the highest level in nearly two years and an increase in the new orders component will support the near-term outlook. The employment subindex edged higher while prices paid increased to the highest level since mid-2022.

The strong ISM data intensified the debate that the Fed may cut rates less than previously expected. This aligns with Fed governor Waller's comments last week that inflation data from the start of the year means policymakers may need to keep rates elevated for longer. The market is pricing around 65bps of rate cuts by the Fed this year, compared with nearly 85bps at the start of last week.

US treasury yields spiked higher in response to the manufacturing data with the curve steepening. 2-year

yields increased 9bps to 4.70%, moving back towards the top of the recent range. 10-year treasury yields increased 12bps to 4.32% matching the 2024 highs reached in March.

Higher treasury yields contributed to broad-based gains for the US dollar against G10 currencies. The dollar index reached a new 2024 high and has gained 4% this year. The yen outperformed within the G10. Investors are wary of potential intervention as USD/JPY approaches 152, the level which prompted the emergency meeting by Japanese policy makers. NZD/USD fell to new lows for the year towards 0.5940. The NZD was stable on key cross rates largely matching the moves in the AUD and major European currencies.

NZ fixed interest markets ended the local session on Thursday last week lower in yield with an outperformance in shorter maturities. 10-year government bonds closed at 4.59%. New Zealand Debt Management (NZDM) is expected to launch the syndication of the new May 2035 nominal bond this morning following the announcement of the syndicate panel last week. We expect NZDM will target issuance volumes of around NZ\$4 billion, with the flexibility to upsize if there is sufficient investor demand.

There is no domestic economic data out today. The minutes from the RBA's March meeting are likely to have less market impact now there is a post-meeting press conference. Germany is the last of the major regional economies to release CPI data ahead of the eurozone aggregate measure on Wednesday night. In the US, the JOLTS job openings report will be in focus, as well as a host of Fed speakers, including NY Fed President Williams.

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Coming Up

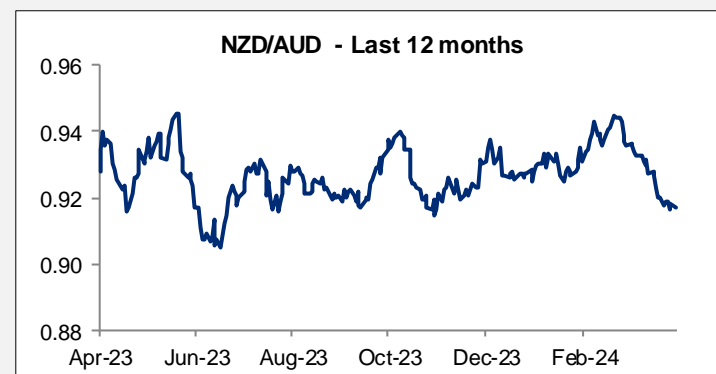
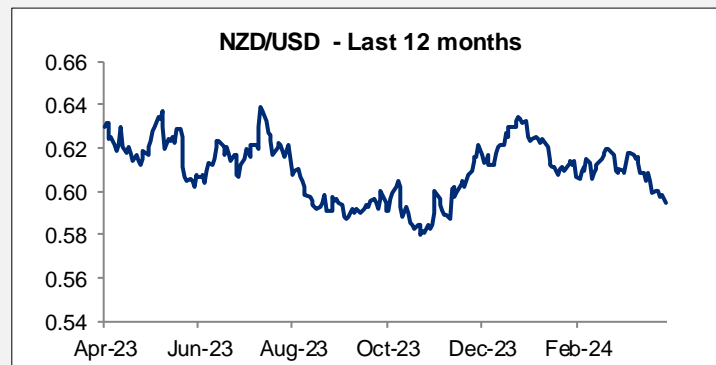
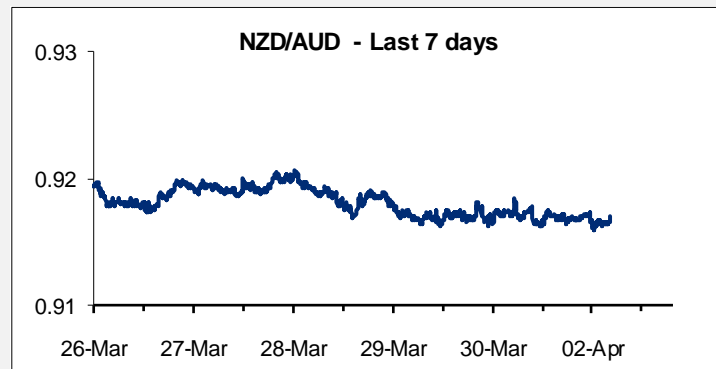
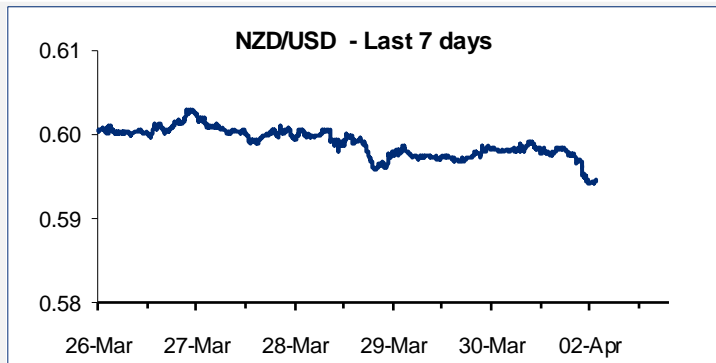
		Period	Cons.	Prev.	NZT
AU	RBA Minutes of March Policy Meeting				13:30
GE	CPI EU Harmonized (y/y%)	Mar P	2.4	2.7	01:00
US	JOLTS Job Openings (k)	Feb	8775	8863	03:00
US	Fed's Williams Moderates Discussion				05:00
US	Fed's Mester Gives Remarks on Economic Outlook				05:05
US	Fed's Daly Participates in Fireside Chat				06:30

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	Net Day				
NZD	0.5945	-0.6	0.5940	0.5985	CHF	0.9043	+0.3	S&P 500	5,236	-0.4	30.0	Oil (Brent)	87.45	+0.5	
AUD	0.6484	-0.6	0.6481	0.6528	SEK	10.797	+1.3	Dow	39,517	-0.7	20.8	Oil (WTI)	83.84	+0.8	
EUR	1.0743	-0.4	1.0731	1.0792	NOK	10.955	+1.2	Nasdaq	16,350	-0.2	37.1	Gold	2238.4	+0.9	
GBP	1.2549	-0.6	1.2540	1.2632	HKD	7.826	+0.0	Stoxx 50	5,083	+0.0	20.1	HRC steel	863.0	+0.3	
JPY	151.61	+0.2	151.30	151.77	CNY	7.231	+0.1	FTSE	7,953	+0.3	5.1	CRB	290.3	+1.2	
CAD	1.3580	+0.3			SGD	1.353	+0.3	DAX	18,492	+0.1	20.6	Wheat Chic.	571.3	-0.7	
NZD/AUD	0.9169	-0.1			IDR	15,895	+0.2	CAC 40	8,206	+0.0	14.2	Sugar	22.72	+0.5	
NZD/EUR	0.5534	-0.1			THB	36.58	+0.6	Nikkei	39,803	-1.4	41.9	Cotton	92.69	+1.4	
NZD/GBP	0.4737	+0.0			KRW	1,349	+0.1	Shanghai	3,077	+1.2	-6.0	Coffee	190.3	+0.8	
NZD/JPY	90.13	-0.4			TWD	31.97	-0.1	ASX 200	7,897	+1.0	12.0	WM powder	3150	+1.3	
NZD/CAD	0.8073	-0.3			PHP	56.26	+0.1	NZX 50	12,105	+0.8	3.1	Australian Futures			
NZ TWI	70.16	-0.3						VIX Index	13.95	+7.2	-27.0	3 year bond	96.45	0.03	
Interest Rates											10 year bond			96.01	0.05
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	5.56	4.62	3.96	USD	4.32	0.12	15-May-26	4.60	0.00	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.34	3.94	4.22	AUD	3.96	0.00	15-Apr-27	4.42	0.00	BKBM 3-mth	5.64	0.00		
NZD	5.50	5.64	4.80	4.37	NZD	4.60	0.00	15-May-28	4.36	0.00	1 year	5.31	0.00		
EUR	4.00	3.89	3.15	2.58	GER	2.30	0.00	20-Apr-29	4.37	0.00	2 year	4.80	0.00		
GBP	5.25	5.30	4.40	3.67	GBP	3.93	0.00	15-May-30	4.40	0.00	3 year	4.51	0.00		
JPY	0.08	-0.03	0.29	0.85	JPY	0.74	0.01	15-May-31	4.453	0.00	5 year	4.30	0.00		
CAD	5.00	5.30	4.59	3.93	CAD	3.60	0.13	15-May-32	4.51	0.00	7 year	4.29	0.00		
					NZ Inflation-Indexed Bonds			14-Apr-33	4.55	0.00	10 year	4.37	0.00		
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer					Sep-30	2.27	0.00	15-May-34	4.60	0.00	15 year	4.50	0.00		
Rates are as of: NZT 06:29					Sep-35	2.59	0.00	15-May-37	4.75	0.00					
Source: Bloomberg					Sep-40	2.78	0.00	15-May-41	4.88	0.00					
								15-May-51	4.87	0.00					
								15-May-54	4.91	0.00					

NZD exchange rates

2/04/2024	6:29 am	Prev. NY close
USD	0.5945	0.5980
GBP	0.4737	0.4737
AUD	0.9169	0.9170
EUR	0.5534	0.5542
JPY	90.13	90.51
CAD	0.8073	0.8097
CHF	0.5376	0.5390
DKK	4.1277	4.1331
FJD	1.3417	1.3499
HKD	4.6525	4.6792
INR	49.58	49.86
NOK	6.5127	6.4739
PKR	165.32	166.32
PHP	33.44	33.62
PGK	2.2417	2.2566
SEK	6.4188	6.3737
SGD	0.8042	0.8069
CNY	4.2987	4.3190
THB	21.65	21.76
TOP	1.3819	1.3868
VUV	71.54	72.59
WST	1.6124	1.6382
XPF	65.92	66.04
ZAR	11.2778	11.2908



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.26	0.72
3 Months	-0.36	0.96
6 Months	-0.40	1.62
9 Months	-0.66	3.84
1 Year	1.72	4.72

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.47	-6.56
3 Months	-24.10	-21.39
6 Months	-45.61	-40.80
9 Months	-64.36	-54.93
1 Year	-77.91	-67.08

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