

3 April 2017

## Events Round-Up

NZ: Building permits (m/m%), Feb: 14.0 vs. 2.1 prev.  
UK: GfK Consumer Confidence, Mar: -6 vs. -7 exp.  
JN: H'hold spending (y/y%), Feb: -3.8 vs. -1.7 exp.  
JN: CPI ex fresh food, energy (y/y%), Feb: 0.1 vs. 0.1 exp.  
JN: Industrial production (y/y%), Feb P: 4.8 vs. 3.9 exp.  
NZ: ANZ Activity Outlook (net%), Mar: 38.8 vs. 37.2 prev.  
NZ: ANZ 1y inflation exp (%), Mar: 1.83 vs. 1.73 exp.  
CH: Manufacturing PMI, Mar: 51.8 vs. 51.7 exp.  
CH: Non-manufacturing PMI, Mar: 55.1 vs. 54.2 prev.  
UK: GDP (q/q%), 4Q F: 0.7 vs. 0.7 exp.  
EC: CPI core (y/y%), Mar A: 0.7 vs. 0.8 exp.  
US: Personal income (m/m%), Feb: 0.4 vs. 0.4 exp.  
US: Personal spending (m/m%), Feb: 0.1 vs. 0.2 exp.  
US: PCE deflator (y/y%), Feb: 2.1 vs. 2.1 exp.  
US: Core PCE deflator (y/y%), Feb: 1.8 vs. 1.7 exp.  
US: Chicago PMI, Mar: 57.7 vs. 56.9 exp.  
US: U. of Mich. cons. sent., Mar F: 96.9 vs. 97.6 exp.

## Good Morning

There was plenty of newsflow on Friday to drive markets, but actual market movements were fairly modest, ending the first quarter on a fairly uneventful note.

The USD was flat, with a mix of indicators. Spending data confirmed that Q1 is looking to be soft for private consumption, a reflection of strength in the previous quarter and some weather-related effects. The Atlanta Fed's GDP Now estimate slipped to just 0.9% for Q1.

The US core PCE deflator was slightly stronger than expected, with the annual change ticking up to 1.8% y/y, moving closer to the Fed's 2% target. However, the market seemed to pay more attention to NY Fed President Dudley's comments in a Bloomberg TV interview. After indicating that three rate hikes in 2017 was a reasonable projection, he said that "there's not this huge rush that we have to tighten monetary policy quickly" because "the economy is clearly not overheating." After that, US Treasury yields headed lower and the 10-year rate ended the session down 3bps to 2.39%.

The NZD closed the week just above the 0.70 mark, finding some support again after it tested the 0.6975 area. The currency has spent much of the last two weeks in a

tight 0.6970-0.7070 range. It looks like another week ahead with the USD in the driving seat, with not much on the local data calendar to look forward to. In the US the key ISM manufacturing and non-manufacturing indicators are released along with Friday's non-farm payrolls.

The NZD outperformed the AUD on Friday, with NZD/AUD showing a steady increase from lows around 0.9120, to close the week around 0.9185. The cross is well overdue for a bit more upside, as dairy prices stabilise, while iron ore prices continue to head south.

For the month of March the NZD underperformed, falling by between 2-4% on all the major crosses and was down about 3% on a TWI basis. In our view, this was not entirely justified in light of steady (high) risk appetite and the performance of other Asia-Pacific currencies. It sets the scene for a possible recovery during April. Our monthly review will be published later today.

EUR continued to soften, not helped by euro area CPI data undershooting expectations, with annual core inflation slipping to 0.7%. Weak figures like that don't support the case for the ECB to change its policy tone at its next meeting later this month. EUR closed the week around 1.0650, down some 3.5 cents from the peak earlier in the week. NZD/EUR rose to its highest level in three weeks to 0.6577.

GBP saw further upside on Friday and proved to be the best performing major currency for no particular reason. It closed the week at 1.2550, while NZD/GBP fell to 0.5585, its lowest close since December. We keenly await any news on Brexit negotiations.

Japan's inflation data on Friday highlighted that the BoJ has a long way to go to meet its inflation target. Nevertheless, the yen strengthened as UST yields nudged lower, seeing USD/JPY down 0.5% to 111.40.

The local rates market remains tightly range bound, with the short end of the curve well-anchored by expectations of little change in monetary policy for some time, and the long end of the curve bobbing around in line with US Treasuries. The ANZ business outlook survey showed another robust set of activity indicators and inflation expectations nudging higher. None of that was surprising. The 2-year swap rate closed flat at 2.32% and the 10-year rate closed at 3.45%, up 1.5bps.

There are a number of global economic indicators released over the next 24 hours, with the US ISM manufacturing indicator the headline act.

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Coming Up

	Period	Cons.	Prev.	NZT
JN Tankan large manufacturers conf.	1Q	14	10	11:50
AU Retail sales (m/m%)	Feb	0.3	0.4	13:30
AU Building approvals (m/m%)	Feb	-1.5	1.8	13:30
CH Caixin PMI manufacturing	Mar	51.7	51.7	13:45
UK Markit PMI manufacturing	Mar	55.0	54.6	20:30
EC Unemployment rate (%)	Feb	9.5	9.6	21:00
US ISM manufacturing	Mar	57.2	57.7	02:00
US Construction spending (m/m%)	Feb	1.0	-1.0	02:00

Source: Bloomberg, BNZ

Foreign Exchange					Equities				Commodities**						
Indicative overnight ranges (*)					Other FX				Major Indices				Price		
	Last	% Day	Low	High		Last	% Day			Last	% Day	% Year		Last	Net Day
NZD	0.7006	+0.1	0.6976	0.7017	CHF	1.0026	+0.1	S&P 500	2,363	-0.2	14.0		Oil (Brent)	53.53	+0.8
AUD	0.7629	-0.2	0.7623	0.7663	SEK	8.971	+0.3	Dow	20,663	-0.3	16.1		Oil (WTI)	50.60	+0.5
EUR	1.0652	-0.2	1.0670	1.0702	NOK	8.599	+0.4	Nasdaq	5,912	-0.0	20.3		Gold	1247.3	+0.2
GBP	1.2550	+0.7	1.2434	1.2548	HKD	7.771	+0.0	Stoxx 50	3,501	+0.6	18.5		HRC steel	630.0	+0.0
JPY	111.39	-0.5	111.28	112.13	CNY	6.887	-0.0	FTSE	7,323	-0.6	19.1		CRB	185.9	+0.2
CAD	1.3318	-0.2			SGD	1.397	-0.1	DAX	12,313	+0.5	25.7		Wheat Chic.	439.0	+1.2
NZD/AUD	0.9183	+0.3			IDR	13,322	+0.0	CAC 40	5,123	+0.2	18.5		Sugar	16.76	-0.3
NZD/EUR	0.6577	+0.4			THB	34.35	-0.3	Nikkei	18,909	-0.8	17.0		Cotton	77.33	+1.4
NZD/GBP	0.5582	-0.4			KRW	1,118	+0.1	Shanghai	3,223	+0.4	7.1		Coffee	139.3	+0.0
NZD/JPY	78.04	-0.3			TWD	30.35	+0.1	ASX 200	5,865	-0.5	17.3		WM powder	2850.0	+1.1
NZ TWI	76.25	+0.1			PHP	50.20	+0.1	NZX 50	7,197	+0.4	7.3		<b>Australian Futures</b>		
<b>Interest Rates</b>															
<b>Rates</b>				<b>Swap Yields</b>			<b>Benchmark 10 Yr Bonds</b>			<b>NZ Government Bonds</b>			<b>NZ Swap Yields</b>		
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last				Last		
USD	1.00	1.15	1.62	2.38	USD	2.39	-0.03	NZGB 3 04/15/20	2.335	0.00			1 year	2.088	+0.01
AUD	1.50	1.80	1.92	2.96	AUD	2.70	0.01	NZGB 6 05/15/21	2.475	0.01			2 year	2.323	+0.00
NZD	1.75	2.01	2.32	3.45	NZD	3.19	0.00	NZGB 5 1/2 04/15/23	2.780	0.01			5 year	2.925	+0.00
EUR	0.00	0.06	-0.13	0.76	GER	0.33	-0.01	NZGB 2 3/4 04/15/25	3.085	0.00			7 year	3.195	+0.01
GBP	0.25	0.34	0.62	1.18	GBP	1.14	0.02	NZGB 4 1/2 04/15/27	3.190	0.00			10 year	3.450	+0.02
JPY	-0.04	0.03	0.05	0.27	JPY	0.07	0.00	NZGB 3 1/2 04/14/33	3.545	0.00			15 year	3.765	+0.02
CAD	0.50	1.17	1.10	1.90	CAD	1.63	-0.01								

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NY close Sat morn.

Source: Bloomberg

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