

# Research Markets Today

4 April 2024

## Events Round-Up

CH: Caixin PMI services, Mar: 52.7 vs. 52.5 exp.  
EC: CPI (y/y%), Mar: 2.4 vs. 2.5 exp.  
EC: CPI core (y/y%), Mar: 2.9 vs. 3.0 exp.  
EC: Unemployment rate (%), Feb: 6.5 vs. 6.4 exp.  
US: ADP employment change (k), Mar: 184 vs. 150 exp.  
US: ISM services, Mar: 51.4 vs. 52.8 exp.

## Good Morning

After a soggy start to the second quarter, global equities have stabilised. The S&P is up 0.3%, rebounding from earlier losses, after treasury yields retraced following data that pointed to a slowdown in the US services sector. In currency markets, the US dollar fell sharply. Gold prices extended to fresh record highs, above US\$2290 per troy ounce, having gained more than 15% since mid-February.

Federal Reserve chair Powell's speech on the economy didn't provide additional information on the outlook for monetary policy. He reiterated the central bank remains data-dependent, and that the market should not expect rate cuts, until policy makers gain greater confidence inflation is moving sustainably towards target.

US ISM services index fell to 51.4 in March, from 52.6 in February, which was weaker than expected. The prices paid sub-index fell sharply to the lowest level since March 2020, in a sign that price growth is moderating. The overall index was the lowest level since last December.

The US economy added 184k private sector jobs in March according to the ADP report, which is the biggest monthly gain since July. However, it is worth noting, this series doesn't have a strong relationship with non-farm payrolls, which is released at the end of this week.

Eurozone CPI increased 2.4% y/y in March, below consensus estimates of 2.5%. Meanwhile core CPI increased 2.9%, also below consensus. The inflation data supports expectations the European Central Bank (ECB) will cut rates in coming months. The central bank has signalled it is ready to ease monetary policy in June conditional on the absence of any unforeseen developments. This aligns with market pricing, which implies the ECB will cut rates by 25bps in June and the policy rate will be nearly 90bps lower by year end.

US treasury yields moved higher initially following the ADP jobs report. 2-year yields peaked near 4.75%, before reversing lower to 4.68%, after the soft ISM services data. 10-year treasuries reached a fresh high for the year, above 4.4%, before retracing.

The US dollar struggled to gain traction, even as treasury yields moved higher aligned with the ADP data. However, the subsequent reversal lower in yields contributed to sharp fall in the dollar index, which is down more than 0.5%. The yen underperformed within G10 currencies and is little changed in the offshore session. NZD/USD advanced, aligned with the broad-based US dollar weakness, and traded back above 0.6000. The NZD largely matched the moves in other major currencies, outside of the yen, and is stable on key cross rates.

It was a volatile session for NZ fixed income in the local session yesterday. After initially moving higher in yield, reflecting the moves in offshore markets, NZ government bonds rallied strongly following the pricing of the new 15 May-2035 nominal maturity that was issued via syndication. 10-year NZGB yields ended unchanged at 4.65%. Bonds outperformed swaps – 10-year swaps closed 6bps higher – as the swap market absorbed hedging-related flow associated with the syndication.

There was strong investor demand for the new maturity. The syndication book size, at final price guidance, exceeded NZ\$17.0 billion. NZDM issued NZ\$4.5 billion, only slightly below the volume cap of NZ\$5 billion. The new maturity was issued at a spread of 6bps over 2034s which was the midpoint of the initial price guidance (+4 to +8 bps). As is typical in a syndication week, the tender scheduled for today has been cancelled.

Australian 3 and 10-year bond futures are ~2bps higher in yield overnight, suggesting a modest upward bias for NZ yields on the open.

Building permits for February is the only domestic data release today. Otherwise, it is a quiet international calendar. There are several Fed speakers, who are unlikely to impact markets, given the steady stream of commentary recently from US policy makers.

[stuart.ritson@bnz.co.nz](mailto:stuart.ritson@bnz.co.nz)

Coming Up

	Period	Cons.	Prev.	NZT
NZ Building Permits (m/m%)	Feb		-8.8	10:45
AU Building Approvals (m/m%)	Feb	3	-1	13:30
US Trade Balance	Feb	-67.5	67.43	01:30
US Initial Jobless Claims	Mar 30	214	210	01:30
US Fed's Harker Participates in Fireside Chat				03:00
US Fed's Goolsbee Participates in Moderated Q&A				05:45
US Fed's Mester Gives Remarks on Economic Outlook				07:00

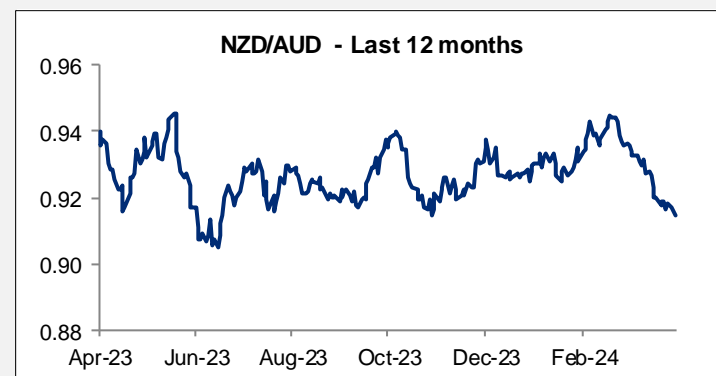
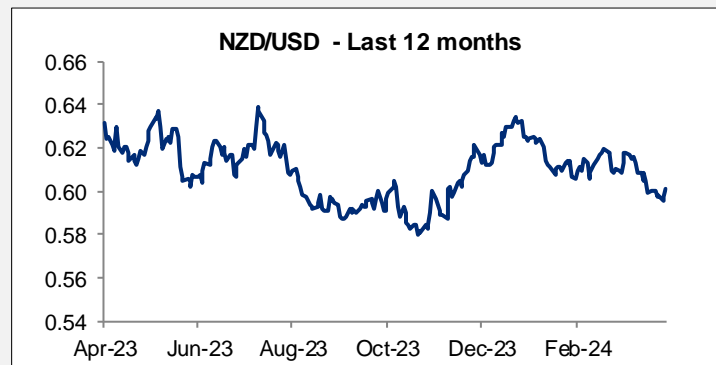
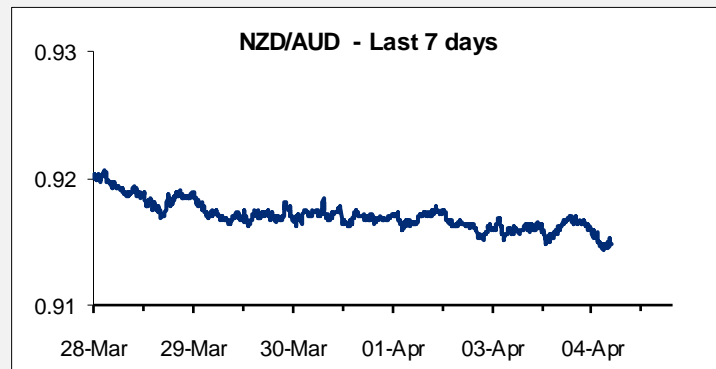
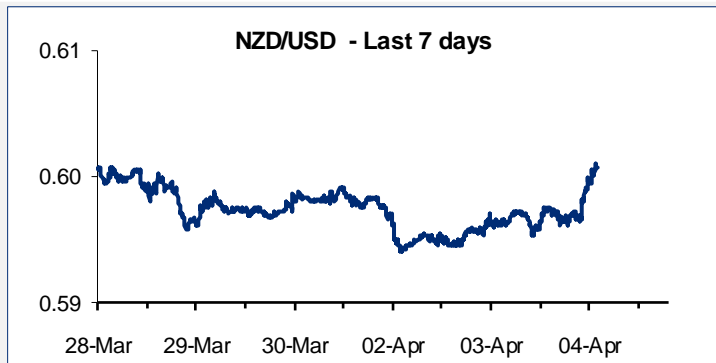
Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day			Last	Net Day				
NZD	0.6008	+0.6	0.5960	0.6011	CHF	0.9038	-0.5		S&P 500	5,223	+0.4	26.6	Oil (Brent)	89.70	+0.9
AUD	0.6567	+0.8	0.6503	0.6569	SEK	10.637	-0.9		Dow	39,229	+0.2	16.7	Oil (WTI)	85.83	+0.9
EUR	1.0832	+0.6	1.0764	1.0836	NOK	10.717	-1.1		Nasdaq	16,323	+0.5	33.9	Gold	2294.4	+1.4
GBP	1.2648	+0.6	1.2563	1.2651	HKD	7.829	-0.0		Stoxx 50	5,069	+0.5	17.6	HRC steel	860.0	-2.2
JPY	151.69	+0.1	151.58	151.95	CNY	7.233	+0.0		FTSE	7,937	+0.0	3.4	CRB	294.2	+0.6
CAD	1.3526	-0.3			SGD	1.348	-0.2		DAX	18,368	+0.5	17.9	Wheat Chic.	573.8	+1.9
NZD/AUD	0.9149	-0.2			IDR	15,920	+0.1		CAC 40	8,153	+0.3	11.0	Sugar	22.22	-0.5
NZD/EUR	0.5547	+0.0			THB	36.62	-0.0		Nikkei	39,452	-1.0	39.5	Cotton	89.16	-1.8
NZD/GBP	0.4750	+0.0			KRW	1,349	-0.2		Shanghai	3,069	-0.2	-7.3	Coffee	203.6	+4.3
NZD/JPY	91.14	+0.7			TWD	32.05	-0.1		ASX 200	7,783	-1.3	7.6	WM powder	3255	+3.0
NZD/CAD	0.8126	+0.3			PHP	56.45	+0.2		NZX 50	12,040	-0.5	1.2	<b>Australian Futures</b>		
NZ TWI	70.66	+0.4						VIX Index	14.33	-1.9	-22.7	3 year bond	96.32	-0.06	
<b>Interest Rates</b>											10 year bond 95.84 -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	5.57	4.60	3.99	USD	4.36	0.01	15-May-26	4.62	-0.02	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.35	4.02	4.35	AUD	4.14	0.07	15-Apr-27	4.45	-0.01	BKBM 3-mth	5.63	-0.00		
NZD	5.50	5.63	4.85	4.47	NZD	4.65	-0.00	15-May-28	4.40	-0.01	1 year	5.33	0.03		
EUR	4.00	3.88	3.14	2.68	GER	2.40	-0.01	20-Apr-29	4.41	-0.01	2 year	4.85	0.03		
GBP	5.25	5.30	4.43	3.75	GBP	4.06	-0.03	15-May-30	4.44	-0.01	3 year	4.57	0.04		
JPY	0.08	-0.03	0.29	0.87	JPY	0.80	0.05	15-May-31	4.490	-0.01	5 year	4.38	0.05		
CAD	5.00	5.30	4.54	3.93	CAD	3.60	-0.01	15-May-32	4.55	-0.01	7 year	4.38	0.05		
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer Rates are as of: NZT 06:49							<b>NZ Inflation-Indexed Bonds</b>		14-Apr-33	4.59	-0.01	10 year	4.47	0.06	
							Sep-30	2.33	-0.00	15-May-34	4.65	-0.00	15 year	4.61	0.06
							Sep-35	2.64	-0.01	15-May-37	4.80	-0.01			
							Sep-40	2.84	-0.01	15-May-41	4.93	0.00			
									15-May-51	4.93	0.00				
									15-May-54	4.97	0.00				

Source: Bloomberg

**NZD exchange rates**

4/04/2024	6:49 am	Prev. NY close
USD	0.6008	0.5971
GBP	0.4750	0.4747
AUD	0.9149	0.9161
EUR	0.5547	0.5544
JPY	91.14	90.50
CAD	0.8126	0.8101
CHF	0.5429	0.5422
DKK	4.1364	4.1350
FJD	1.3545	1.3639
HKD	4.7026	4.6748
INR	50.12	49.79
NOK	6.4378	6.4715
PKR	167.04	166.07
PHP	33.91	33.64
PGK	2.2719	2.2541
SEK	6.3896	6.4106
SGD	0.8099	0.8070
CNY	4.3450	4.3186
THB	22.05	21.88
TOP	1.4248	1.4073
VUV	73.03	72.61
WST	1.6451	1.6393
XPF	66.21	66.01
ZAR	11.2068	11.2111



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.03	0.34
3 Months	-0.18	0.40
6 Months	-0.72	0.72
9 Months	-0.57	1.50
1 Year	-0.82	2.18

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.39	-7.38
3 Months	-23.61	-22.19
6 Months	-45.05	-41.47
9 Months	-61.57	-56.34
1 Year	-74.24	-66.80

# Contact Details

## BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets Strategist  
+64 4 924 7652

**Stuart Ritson**

Senior Interest Rate Strategist  
+64 9 9248601

**Mike Jones**

BNZ Chief Economist  
+64 9-956 0795

## Main Offices

**Wellington**

Level 4, Spark Central  
42-52 Willis Street  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**

111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

**Analyst Disclaimer:** The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

**New Zealand:** The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

**USA:** If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.