

Research Markets Today

5 April 2024

Events Round-Up

NZ: Dwelling consents (m/m%), Feb: 14.9 vs. -8.6 prev.

AU: Building Approvals (m/m%), Feb: -1.9 vs. 3.0 exp.

US: Trade balance (\$b), Feb: -68.9 vs -67.6 exp.

US: Initial jobless claims, wk to Mar 30: 221 vs. 214 exp.

Good Morning

Risk appetite is higher ahead of the key US employment report tonight. Equity markets are stronger, with the S&P500 up 0.7% and Treasury yields show little net movement. The USD is broadly weaker, with the NZD and AUD outperforming against a backdrop of rising commodity prices. The NZD is trading at 0.6045, with NZD/AUD falling to a 9-month low around 0.9130.

US initial jobless claims increased 9k last week to a two-month high of 221k, higher than the 214k expected. Easter can cause some seasonal adjustment issues but there could be a hint of the trend finally lifting, as leading indicators suggest it ought to be, although a few more weeks of data are required to draw any conclusions. Challenger job cut announcements rose to 90k in March, the highest level in over a year.

Ahead of the data release, the US 10-year rate had pushed up to its high for the day of 4.38%, and it fell to its low of 4.31% before settling at 4.35%, down 1 basis point from the NZ close. The curve has flattened a little, with the 2-year rate trading a narrower range and slightly higher. That the 10-year rate can swing 7bps on a small miss on weekly jobless claims data, highlights the sensitivity of the Treasuries market to employment data. Brace yourself for the more important employment report tonight which is the next focus for the market.

FOMC members have been out of force and continue to sing from the same song sheet. Richmond Fed President Barkin was confident that policy was tight enough to slow the economy further and bring inflation back to target but "given a strong labour market, we have time for the clouds to clear before beginning the process of toggling rates down". Philadelphia Fed President Harker said inflation is still too high. Chicago Fed President Goolsbee reiterated Chair Powell's recent comment that the stronger January and February inflation data don't change the outlook for lower inflation.

In currency markets, the USD has been broadly weaker, steadily falling for the day, with a brief disruption of that trend in the pre and post positioning activity around the jobless claims data. The AUD has been the strongest performer, up 0.7% from this time yesterday to 0.6615, enjoying some tailwinds from the backdrop of higher commodity prices, particularly for metals – the LME London metals index has risen some 5% over the past week or so and is trading at its highest level in nearly a year.

The NZD is up over ½% to 0.6045, the foray below 0.60 proving to be short-lived although that level could be re-tested if the US employment report tonight is stronger than expected. NZD/AUD has fallen to 0.9130, its lowest level since June. As tempting as it might be to play the range and call a positive turnaround in this cross, we remain bearish on NZ's relative economic fundamentals compared to Australia and continue to see it ultimately trading below 0.90.

Other NZD crosses are modestly stronger, given the outperformance of the AUD and NZD, with gains of 0.3-0.5% for the day.

After peaking a cent shy of USD90 per barrel in the previous overnight session, Brent crude is flat for the day and has traded mostly above the USD89 mark, after technical indicators had moved into overbought territory.

In the domestic rates market, there was further extension of NZGB outperformance on a cross-market basis and versus swap, at the longer end of the curve, the market easily absorbing the new \$4.5b of 2035 bonds this week. Swap rates rose 2-3bps and while that was also the case for much of the NZGB curve, the 10-year rate was up only 1bp and, beyond that maturity, rates were unchanged.

On the calendar in the day ahead the focus will be the US employment report, where the consensus is picking a modest slowdown in non-farm payrolls growth to 215k, the unemployment rate ticking down from a two-year high to 3.8% and modest average hourly earnings growth of 0.3%, which would bring the annual change down to a 2½ year low of 4.1%. Canada's employment report is released at the same time, expected to show the unemployment rate rising to a fresh two-year high of 5.9%.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Trade balance (\$b)	Feb	10.5	11.0	13:30
GE	Factory orders (m/m%)	Feb	0.7	-11.3	19:00
CA	Unemployment rate (%)	Mar	5.9	5.8	01:30
US	Change in nonfarm payrolls (k)	Mar	215	275	01:30
US	Unemployment rate (%)	Mar	3.8	3.9	01:30
US	Avg hrly earnings (m/m%)	Mar	0.3	0.1	01:30
US	Avg hrly earnings (y/y%)	Mar	4.1	4.3	01:30

Source: Bloomberg, BNZ

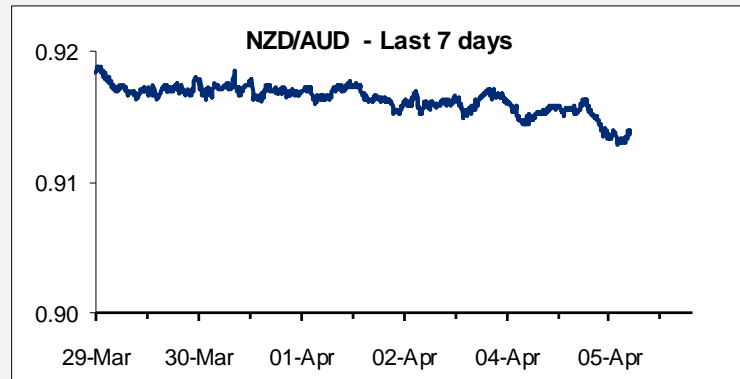
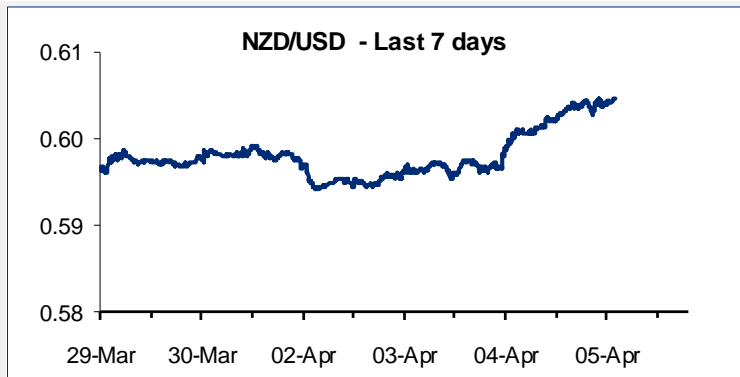
Currencies						Equities				Commodities				
Global froces	Indicative overnight ranges (*)				Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.6045	+0.6	0.6026	0.6047	CHF	0.9046	+0.2	S&P 500	5,246	+0.6	27.9	Oil (Brent)	89.40	+0.1
AUD	0.6616	+0.8	0.6586	0.6619	SEK	10.586	-0.6	Dow	39,226	+0.3	17.4	Oil (WTI)	85.30	-0.1
EUR	1.0860	+0.2	1.0839	1.0877	NOK	10.694	-0.3	Nasdaq	16,424	+0.9	35.4	Gold	2288.8	-0.3
GBP	1.2665	+0.1	1.2648	1.2684	HKD	7.829	-0.0	Stoxx 50	5,071	+0.0	17.5	HRC steel	853.0	-0.8
JPY	151.66	-0.0	151.51	151.77	CNY	7.233	+0.0	FTSE	7,976	+0.5	4.5	CRB	295.2	+0.3
CAD	1.3505	-0.2			SGD	1.347	-0.1	DAX	18,403	+0.2	17.9	Wheat Chic.	570.0	-0.3
NZD/AUD	0.9137	-0.2			IDR	15,893	-0.2	CAC 40	8,152	-0.0	11.0	Sugar	22.36	+0.2
NZD/EUR	0.5566	+0.4			THB	36.67	+0.1	Nikkei	39,773	+0.8	43.0	Cotton	87.14	-2.1
NZD/GBP	0.4773	+0.5			KRW	1,347	-0.1	Shanghai	3,069	-0.2	-7.3	Coffee	206.8	+1.6
NZD/JPY	91.68	+0.6			TWD	32.05	-0.1	ASX 200	7,817	+0.4	8.0	WM powder	3255	+0.0
NZD/CAD	0.8164	+0.4			PHP	56.39	-0.1	NZX 50	12,035	-0.0	1.4	Australian Futures		
NZ TWI	70.97	+0.4						VIX Index	13.87	-3.2	-27.0	3 year bond	96.29	-0.03
												10 year bond	95.85	-0.01
Interest Rates														
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	3.98	USD	4.35	0.01	15-May-26	4.64	0.02	BKBM 1-mth	5.59	0.00	
AUD	4.35	4.34	4.01	4.35	AUD	4.18	0.04	15-Apr-27	4.48	0.03	BKBM 3-mth	5.63	0.00	
NZD	5.50	5.63	4.88	4.50	NZD	4.65	0.01	15-May-28	4.43	0.03	1 year	5.34	0.01	
EUR	4.00	3.86	3.16	2.64	GER	2.36	-0.03	20-Apr-29	4.43	0.02	2 year	4.88	0.03	
GBP	5.25	5.30	4.42	3.74	GBP	4.02	-0.04	15-May-30	4.46	0.02	3 year	4.60	0.03	
JPY	0.08	-0.03	0.30	0.87	JPY	0.79	-0.01	15-May-31	4.510	0.02	5 year	4.41	0.03	
CAD	5.00	5.30	4.55	3.92	CAD	3.59	-0.00	15-May-32	4.57	0.02	7 year	4.42	0.03	
								14-Apr-33	4.60	0.01	10 year	4.50	0.02	
								15-May-34	4.65	0.01	15 year	4.63	0.02	
								Sep-30	2.34	0.01				
								Sep-35	2.66	0.01				
								Sep-40	2.85	0.01				
								15-May-41	4.93	0.00				
								15-May-51	4.93	-0.00				
								15-May-54	4.96	-0.00				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:57

Source: Bloomberg

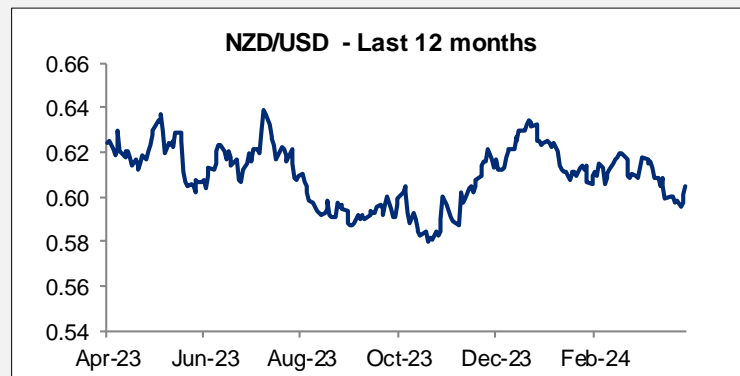
NZD exchange rates

5/04/2024 6:58 am		Prev. NY close
USD	0.6045	0.6009
GBP	0.4773	0.4749
AUD	0.9137	0.9153
EUR	0.5566	0.5545
JPY	91.68	91.16
CAD	0.8164	0.8128
CHF	0.5468	0.5426
DKK	4.1518	4.1364
FJD	1.3581	1.3644
HKD	4.7324	4.7043
INR	50.44	50.14
NOK	6.4643	6.4459
PKR	168.10	167.13
PHP	34.08	33.92
PGK	2.2837	2.2727
SEK	6.3991	6.3981
SGD	0.8140	0.8101
CNY	4.3725	4.3461
THB	22.19	22.06
TOP	1.4013	1.4253
VUV	73.29	73.11
WST	1.6431	1.6462
XPF	66.54	66.22
ZAR	11.2872	11.2201



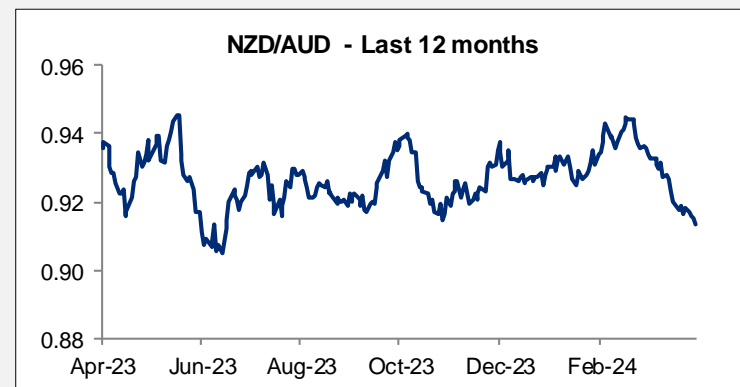
NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.09	0.33
3 Months	-0.15	0.43
6 Months	-0.50	0.61
9 Months	-0.36	1.73
1 Year	-1.25	1.75



NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.39	-7.47
3 Months	-24.08	-22.73
6 Months	-44.65	-41.61
9 Months	-61.53	-56.30
1 Year	-75.64	-68.28



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