

Research Markets Today

6 May 2024

Events Round-Up

AU: Home loans value (m/m%), Mar: 3.1 vs. 1.0 exp.
 US: Change in nonfarm payrolls (k), Apr: 175 vs. 240 exp.
 US: Unemployment rate (%), Apr: 3.9 vs. 3.8 exp.
 US: Avg hourly earnings (m/m%), Apr: 0.2 vs. 0.3 exp.
 US: Avg hourly earnings (y/y%), Apr: 3.9 vs. 4 exp.
 US: ISM services index, Apr: 49.4 vs. 52 exp.

Good Morning

Global equity markets made solid gains on Friday. Weaker than expected US labour market data in conjunction with a soft services ISM pointed towards moderating economic activity, and rekindled hopes for rate cuts by the Federal Reserve later this year. The S&P gained 1.2%, the largest advance in more than two months. US treasury yields declined sharply after the data but rebounded off the lows while the US dollar was weaker against G10 currencies.

US nonfarm payrolls increased 175K in April. This was well below the 241k consensus forecast, and the smallest rise for six months. In addition, revisions subtracted 22k from the previous two months. The unemployment rate increased to 3.9% from 3.8% in March. Earnings growth was weaker than expected, and increased 0.2% in April, compared to forecasts for a 0.3% rise. This took the annual increase to 3.9%, the lowest in nearly three years.

The services ISM unexpectedly fell into contractionary territory for the first time since December 2022 as activity and new orders softened. The index fell to 49.4 from 51.4 in March compared with a forecast increase. Most of the decline in the headline index can be attributed to a sharp drop in the business activity index which fell to 50.9, the lowest level in four years. The prices paid subindex was a lot higher than forecast and rose to the highest level since June.

The payrolls and ISM data continued a recent series of weaker than expected activity data. The Citi economic surprise index, which measures actual data relative to expectations, has fallen sharply since mid-April and is now below zero. The market is pricing about 45bps of Fed rate cuts for this year, up from a minimum of 25bps in the lead up to the FOMC last week.

US treasury yields fell for a third consecutive session. 2-year notes were trading at 4.85% ahead of the data, and reached an intra-day low towards 4.70%, before rebounding to close down 6bps at 4.82%. Treasury market sentiment has improved since the Fed maintained an easing bias at the May FOMC with 2-year yields well below the 5.04% peak. 10-year treasury yields fell 7bps to 4.50%. The treasury market now looks ahead to supply this week.

The US dollar made a sharp move lower after the labour market data. At one point, the dollar index (DXY) was down nearly 0.7%, however it subsequently retraced to end 0.2% lower. The rebound in the DXY matched the retracement higher in treasury yields which gained additional impetus after the rise in the prices paid subindex from the services ISM. USD/JPY traded below 152, 5% below the peak from Monday last week, before closing near 153.

NZD/USD spiked to towards 0.6045 – the highest level in three weeks - after the payrolls data. The subsequent retracement was less than other G10 currencies, leading to an outperformance on the major cross rates. NZD/GBP and NZD/EUR traded close to 1-month highs at 0.4800 and 0.5600 respectively. NZD/AUD eked out modest gains, and briefly traded back above 0.9100, albeit within the context of a well-entrenched downtrend.

NZ fixed interest yields moved higher in the local session on Friday largely reflecting directional moves in offshore markets. At one point, 2-year swaps were marked below 5% but retraced higher to close down 4bps at 5.01%. The move lower across swap and government curves was parallel and of similar magnitude. 10-year government bonds closed at 4.83%, down 4bps on the day, and at the lowest yield level in three weeks.

Australian 10-year government bond futures are ~2bps lower in yield since the local close on Friday suggesting a modest downward bias for NZ yields to start the week.

There is no domestic data today. Caixin services PMI in China the only release of note on the international calendar.

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Coming Up

	Period	Cons.	Prev.	NZT
CH	Caixin PMI Services	Apr	52.5	52.7 13:45
US	Fed's Barkin Speaks on Economic Outlook			04:50
US	Fed's Williams Participates in Fireside Chat			05:00

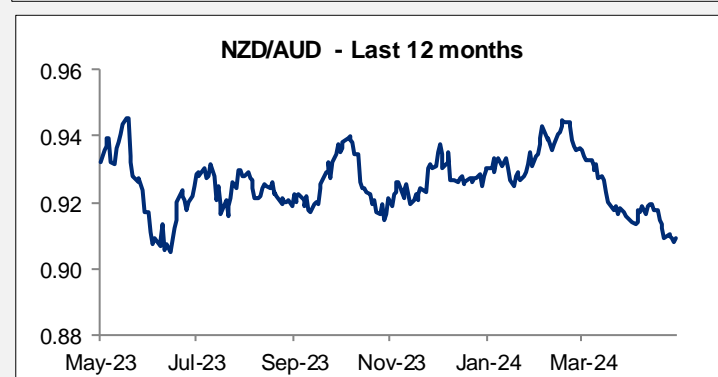
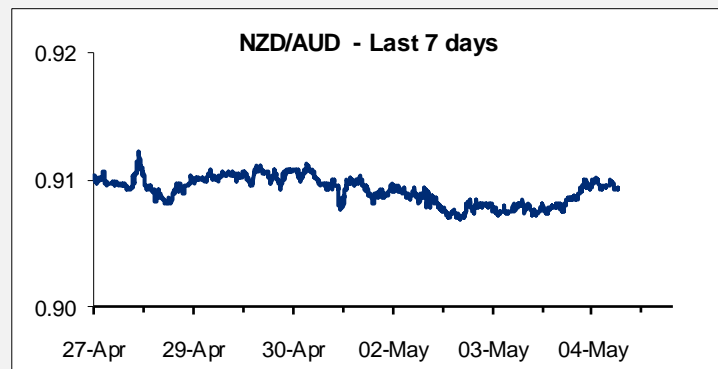
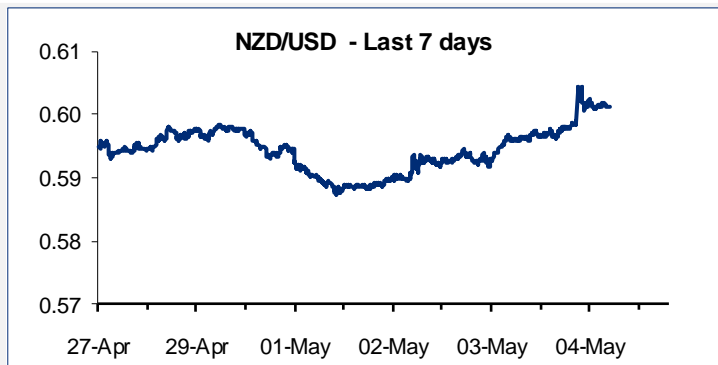
Source: Bloomberg, BNZ

Currencies						Equities				Commodities				
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices			Price (Near futures, except CRB)				
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.6011	+0.8	0.5963	0.6047	CHF	0.9054	-0.6	5,128	+1.3	25.4	Oil (Brent)	82.96	-0.8	
AUD	0.6610	+0.7	0.6568	0.6647	SEK	10.822	-0.4	38,676	+1.2	14.9	Oil (WTI)	78.11	-1.1	
EUR	1.0763	+0.3	1.0724	1.0811	NOK	10.878	-1.0	16,156	+2.0	32.0	Gold	2308.6	-0.0	
GBP	1.2547	+0.1	1.2530	1.2634	HKD	7.812	-0.0	Stoxx 50	4,921	+0.6	13.4	HRC steel	813.0	+0.4
JPY	152.92	-0.4	151.86	153.33	CNY	7.241	+0.2	FTSE	8,213	+0.5	5.6	CRB	286.5	+0.6
CAD	1.3686	+0.1			SGD	1.350	-0.4	DAX	18,002	+0.6	12.8	Wheat Chic.	622.5	+3.0
NZD/AUD	0.9094	+0.2			IDR	16,083	-0.6	CAC 40	7,958	+0.5	7.1	Sugar	19.28	+0.2
NZD/EUR	0.5585	+0.5			THB	36.72	-0.3	Nikkei	38,236	-0.1	31.1	Cotton	77.36	+3.3
NZD/GBP	0.4791	+0.7			KRW	1,363	-0.9	Shanghai	3,105	-0.3	-6.6	Coffee	200.8	-2.6
NZD/JPY	91.92	+0.4			TWD	32.36	-0.5	ASX 200	7,629	+0.6	5.7	WM powder	3100	+0.3
NZD/CAD	0.8227	+0.9			PHP	57.37	-0.3	NZX 50	11,938	+0.5	0.4	Australian Futures		
NZ TWI	70.85	+0.5						VIX Index	13.49	-8.1	-21.5	3 year bond	95.97	0.03
												10 year bond	95.61	0.05
Interest Rates						NZ Government Bonds			NZ BKBM and Swap Yields					
Rates		Swap Yields		Benchmark 10 Yr Bonds										
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day	Last	Chg		Last	Chg			
USD	5.50	5.60	4.74	4.13	USD	4.51	-0.07	15-May-26	4.80	-0.04	BKBM 1-mth	5.60	0.00	
AUD	4.35	4.41	4.30	4.61	AUD	4.42	-0.03	15-Apr-27	4.67	-0.05	BKBM 3-mth	5.63	0.00	
NZD	5.50	5.63	5.01	4.67	NZD	4.83	-0.04	15-May-28	4.63	-0.05	1 year	5.42	-0.04	
EUR	4.00	3.85	3.28	2.78	GER	2.50	-0.05	20-Apr-29	4.61	-0.05	2 year	5.01	-0.04	
GBP	5.25	5.30	4.61	3.94	GBP	4.22	-0.06	15-May-30	4.64	-0.06	3 year	4.75	-0.05	
JPY	0.08	-0.03	0.38	0.97	JPY	0.90	0.00	15-May-31	4.70	-0.05	5 year	4.57	-0.06	
CAD	5.00	5.27	4.55	3.97	CAD	3.65	-0.09	15-May-32	4.75	-0.05	7 year	4.58	-0.05	
								14-Apr-33	4.78	-0.04	10 year	4.67	-0.05	
								15-May-34	4.83	-0.04	15 year	4.81	-0.04	
								15-May-35	4.88	-0.04				
								15-May-37	4.98	-0.04				
								15-May-41	5.10	-0.04				
								15-May-51	5.09	-0.03				
								15-May-54	5.11	-0.04				

* These are indicative r
 please confirm rates with your BNZ dealer
 Rates at NY close
 Source: Bloomberg

NZD exchange rates

4/05/2024	NY close	Prev. NY close
USD	0.6011	0.5962
GBP	0.4791	0.4757
AUD	0.9094	0.9081
EUR	0.5585	0.5559
JPY	91.92	91.60
CAD	0.8227	0.8152
CHF	0.5442	0.5430
DKK	4.1665	4.1459
FJD	1.3630	1.3572
HKD	4.6957	4.6582
INR	50.15	49.76
NOK	6.5385	6.5531
PKR	167.29	166.00
PHP	34.48	34.31
PGK	2.2899	2.2695
SEK	6.5050	6.4811
SGD	0.8112	0.8078
CNY	4.3526	4.3099
THB	22.11	22.03
TOP	1.4005	1.3891
VUV	73.02	72.59
WST	1.6514	1.6411
XPF	66.85	66.42
ZAR	11.1265	11.0592



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.12	0.14
3 Months	-1.26	1.17
6 Months	-0.78	0.22
9 Months	-1.64	0.84
1 Year	-2.25	-0.25

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.84	-8.19
3 Months	-25.83	-21.73
6 Months	-43.15	-40.28
9 Months	-57.68	-51.76
1 Year	-67.17	-60.37

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