

Research Markets Today

7 May 2024

Events Round-Up

CH: Caixin PMI services, Apr: 52.5 vs. 52.7 prev.

Good Morning

It has been a quiet start to the week in what will likely be a quiet week overall, with a very light economic and event calendar. With UK and Japan holidays, trading conditions are lighter than normal. Global rates are slightly lower, with the US 10-year rate consolidating just below 4.5%. The NZD has spent most of the day consolidating just over 0.60, while the yen is weaker after last week's strong recovery.

In light trading conditions, global rates have pushed lower, extending the falls seen last week that followed a run of weaker than expected US economic data and the Fed's policy update. The week ahead will feature US Treasury issuance with the demand for duration tested by the auction of \$67b of 10-year and 30-year bonds. There has been some slight curve flattening, with the 2-year rate up slightly and the 10-year rate down 2bps from last week's close to 4.49%.

There are a number of FOMC speakers doing the rounds this week but they are unlikely to move the market. Most of them on the same page in terms of watching the data closely to determine the timing and scope for any policy easing, echoed by NY Fed President Williams overnight. Richmond Fed President Barkin, a voter this year, said he was optimistic that policy was restrictive enough to bring inflation down to target, saying "the full impact of higher rates is yet to come".

US equities continue to enjoy a positive run, supported by a solid earnings season, up for a third consecutive session and back to within a couple of percent of the record high posted late-March. The S&P500 is currently up 0.8%.

In currency markets, net movements have been modest, except for some notable weakness in the yen after last week's intervention-induced strong recovery. USD/JPY is up 0.6% from last week's close to just under the 154 mark. Last week's official intervention, estimated to be just under USD60b, did the job for now, but with the ongoing wide gap between US and Japan rates, there is some scepticism that the strong recovery in the yen can be sustained without a closing of that rates gap. Former US Treasury Secretary Summers said that "given the massive

size of capital markets, I think the evidence is reasonably clear intervention doesn't work – even in the scales that the Japanese engaged". That said, increased volatility in the yen will make it more difficult for speculators to hold positions and it is likely that some will stay away for a while, making the currency less of a one-way bet, which was the real aim of intervention.

Despite some pullback in the yen, the NZD and AUD have managed to sustain last week's gains. The AUD has pushed up to 0.6635, and the NZD is relatively flat at 0.6015, seeing NZD/AUD nudge down to 0.9075. There is little movement on the crosses overall, apart from a 0.6% gain in NZD/JPY to 92.5.

Oil prices are relatively flat, with Brent crude just over USD83 per barrel. Hamas said it has agreed to a Gaza cease-fire proposal put forward by Qatar and Egypt but Israel hasn't agreed to the plan, currently in the process of being reviewed.

Domestic rates were dragged lower yesterday on global forces, in response in Friday's night's post-payrolls price action in the US. NZGB yields fell 4-6bps across the curve. The 10-year rate closed down 6bps to 4.77%, now well down from the late-April closing high of 5%. Payers were lurking around in the short-end of the swaps curve, so the 2-year rate fell by only 1bp to 4.99%, while 10-year swap fell 6bps to 4.61%.

On the calendar today, real retail sales for Australia are expected to show a modest contraction. In the RBA policy update, the Bank will need to acknowledge the positive inflation surprise and lower unemployment rate trajectory, so the tone of the statement could come across as more hawkish than the last neutral one. Elsewhere, the calendar will be light, tonight and through the rest of the week.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
AU	Real retail sales (q/q%)	Q1	-0.3	0.3	13:30
AU	RBA cash rate target (%)	May	4.35	4.35	16:30
GE	Factory orders (m/m%)	Mar	0.4	0.2	18:00
US	Fed's Kashkari participates in fireside chat				03:30

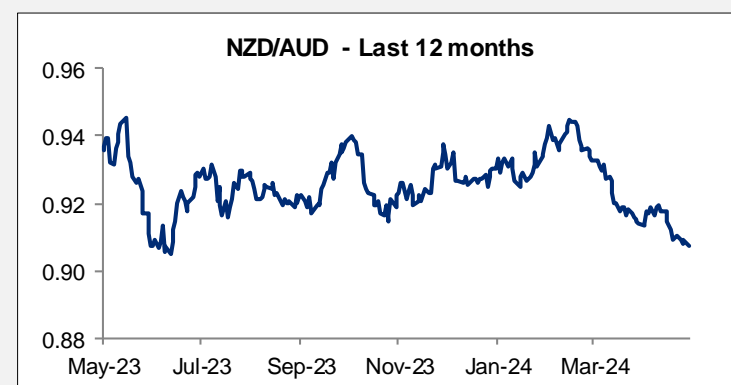
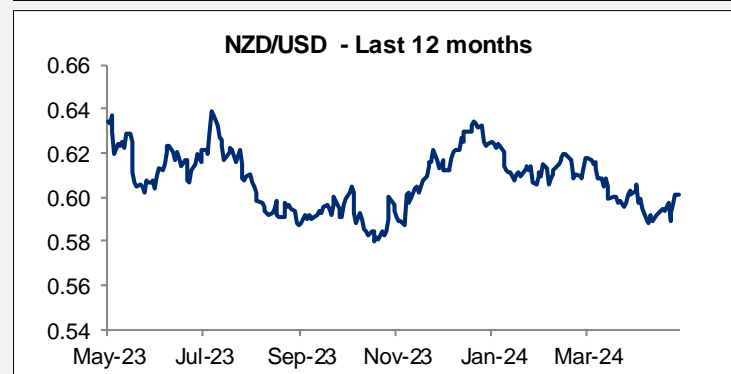
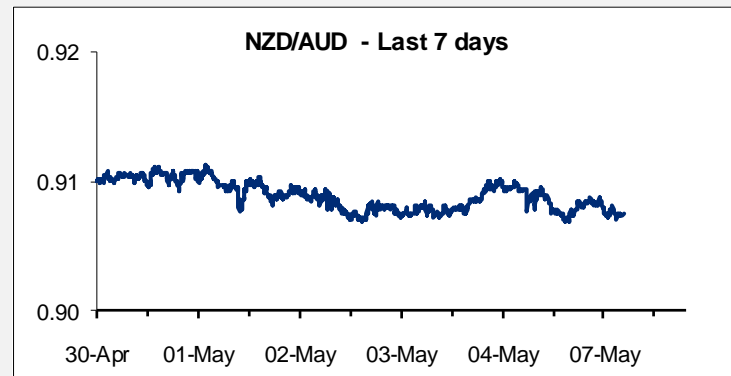
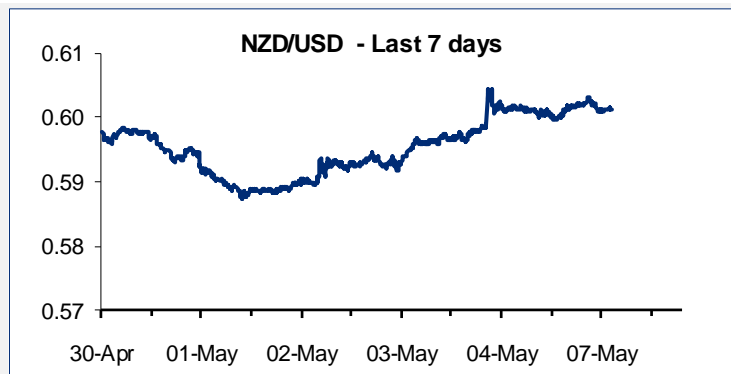
Source: Bloomberg, BNZ

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	0.6014	+0.0	0.6008	0.6032	CHF	0.9062	+0.1	S&P 500	5,168	+0.8	25.0	Oil (Brent)	83.35	+0.5
AUD	0.6626	+0.2	0.6617	0.6638	SEK	10.809	-0.1	Dow	38,816	+0.4	15.3	Oil (WTI)	78.53	+0.6
EUR	1.0773	+0.1	1.0758	1.0791	NOK	10.825	-0.5	Nasdaq	16,306	+0.9	33.3	Gold	2333.7	+1.1
GBP	1.2566	+0.2	1.2556	1.2595	HKD	7.817	+0.1	Stoxx 50	4,957	+0.7	14.2	HRC steel	786.0	-3.3
JPY	153.92	+0.6	153.42	154.00	CNY	7.209	-0.4	FTSE	8,213	+0.5	5.6	CRB	286.5	+0.6
CAD	1.3661	-0.2			SGD	1.351	+0.1	DAX	18,175	+1.0	13.9	Wheat Chic.	645.8	+3.7
NZD/AUD	0.9076	-0.2			IDR	16,026	-0.4	CAC 40	7,997	+0.5	7.6	Sugar	19.48	+1.0
NZD/EUR	0.5582	-0.1			THB	36.75	+0.1	Nikkei	38,236	-0.1	31.1	Cotton	76.56	+3.3
NZD/GBP	0.4786	-0.1			KRW	1,359	-0.3	Shanghai	3,141	+1.2	-5.8	Coffee	195.2	-2.8
NZD/JPY	92.57	+0.7			TWD	32.36	-0.0	ASX 200	7,682	+0.7	6.4	WM powder	3100	+0.0
NZD/CAD	0.8216	-0.1			PHP	57.23	-0.2	NZX 50	11,821	-1.0	-0.6	Australian Futures		
NZ TWI	70.77	-0.1						VIX Index	13.73	+1.8	-20.1	3 year bond	95.98	0.01
Interest Rates							NZ Government Bonds			NZ BKBM and Swap Yields				
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last	Chg	Last	Chg	Last	Chg		
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day								
USD	5.50	5.59	4.74	4.11	USD	4.49	-0.02	15-May-26	4.76	-0.04	BKBM 1-mth	5.60	0.00	
AUD	4.35	4.41	4.32	4.60	AUD	4.38	-0.04	15-Apr-27	4.63	-0.04	BKBM 3-mth	5.63	0.00	
NZD	5.50	5.63	4.99	4.61	NZD	4.77	-0.06	15-May-28	4.58	-0.04	1 year	5.40	-0.02	
EUR	4.00	3.83	3.27	2.76	GER	2.47	-0.03	20-Apr-29	4.57	-0.05	2 year	4.99	-0.01	
GBP	5.25	5.30	4.61	3.94	GBP	4.22	0.00	15-May-30	4.59	-0.05	3 year	4.73	-0.03	
JPY	0.08	-0.03	0.36	0.97	JPY	0.90	0.00	15-May-31	4.65	-0.05	5 year	4.53	-0.04	
CAD	5.00	5.27	4.52	3.94	CAD	3.62	-0.03	15-May-32	4.70	-0.05	7 year	4.53	-0.05	
								14-Apr-33	4.73	-0.06	10 year	4.61	-0.06	
								15-May-34	4.77	-0.06	15 year	4.76	-0.05	
								15-May-35	4.82	-0.06				
								15-May-37	4.93	-0.05				
								15-May-41	5.06	-0.04				
								15-May-51	5.05	-0.04				
								15-May-54	5.08	-0.04				

* These are indicative r 06:54
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

7/05/2024	6:55 am	Prev. NY close
USD	0.6014	0.6011
GBP	0.4786	0.4791
AUD	0.9076	0.9094
EUR	0.5582	0.5586
JPY	92.57	92.00
CAD	0.8216	0.8227
CHF	0.5450	0.5442
DKK	4.1643	4.1665
FJD	1.3573	1.3630
HKD	4.7010	4.6957
INR	50.22	50.15
NOK	6.5103	6.5385
PKR	166.08	167.29
PHP	34.42	34.48
PGK	2.2928	2.2899
SEK	6.5004	6.5050
SGD	0.8126	0.8112
CNY	4.3354	4.3526
THB	22.13	22.21
TOP	1.3973	1.4005
VUV	72.74	73.02
WST	1.6489	1.6514
XPF	66.85	66.85
ZAR	11.1109	11.1265



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.20	0.20
3 Months	-0.28	0.27
6 Months	-0.54	0.47
9 Months	-0.64	1.36
1 Year	-0.84	2.16

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.65	-8.85
3 Months	-23.93	-22.69
6 Months	-41.76	-38.87
9 Months	-54.39	-49.30
1 Year	-62.05	-54.84

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 2, BNZ Place
1 Whitmore 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.