

# Research Markets Today

8 May 2024

## Events Round-Up

AU: Real retail sales (q/q%), Q1: -0.4 vs. -0.3 exp.

AU: RBA cash rate target (%), May: 4.35 vs. 4.35 exp.

GE: Factory orders (m/m%), Mar: -0.4 vs. 0.4 exp.

## Good Morning

Against a backdrop of little fresh news, US Treasury yields continue to edge lower, with the 10-year rate down to a four-week low. The USD is stronger, although movements have been small to modest across the board and the NZD is close to 0.60.

It has been another uneventful trading session. Equity markets continued to recover, with the US S&P500 index returning to 5200 intraday, but as we go to print the gains have evaporated and the market is now flat. The Euro Stoxx 600 index closed up 1.1%, getting very close to the early-April high.

Global rates have extended recent falls, with the US 10-year rate trading an overnight low of 4.42%, its lowest level in four-weeks. It is currently down 3bps on the day to 4.45%, with further curve flattening, given a smaller fall in the 2-year rate to 4.83%.

The market brushed off comments from Minneapolis Fed President Kashkari, who sits at the hawkish end of the spectrum and is a non-voter this year. He said that the most likely scenario on rates was “we sit here for an extended period of time”. While the bar for raising rates was quite high, he wouldn’t rule it out. He noted persistent housing inflation as a potential cause for higher neutral rates in the short-term, meaning the Fed had more work to do to cool inflation and raised questions about how restrictive policy was.

The economic data flow remains light. Germany factory orders were weaker than expected, falling 0.4% m/m in March, alongside a downward revision to February from +0.2% to -0.8%. The data suggested ongoing weakness in the manufacturing sector, although we’d note the recent improvement in the services sector PMI that points to an economic recovery underway.

In currency markets, the USD DXY index is up 0.4%, with broadly based gains, even if modest. USD/JPY has pushed up to 154.75, albeit not much higher than where we left in yesterday. The NZD is trading at its lows for the day, nudging just below 0.60 in the last hour. GBP is at the

weaker end of the spectrum, helping NZD/GBP advance to just under 0.48. NZD/AUD regained some ground after the RBA’s policy update, pushing up just through 0.91, with the AUD falling below 0.66.

The RBA kept its policy rate unchanged at 4.35% but the tone of the statement was less hawkish than widely anticipated, keeping the previous language of “not ruling anything in or out” regarding the policy outlook. The Bank did not take much signal from the upside surprise to Q1 CPI inflation, but Governor Bullock said it needed to be “alert and vigilant” on inflation, while adding she “believes we have rates at the right level”.

The Australia 3-year and 10-year bond futures have both sustained falls of around 10bps in yield terms since the announcement, which coincided with the NZ close and these lower rates are likely to spill over into the NZ rates market on the open. Yesterday, NZGB yields fell 2-5bps across the cross with a flattening bias, outperforming on a cross market basis and against swap. The 2-year swap rate was unchanged at 4.99% and the 10-year rate fell just 2bps.

The overnight GDT dairy auction showed a 1.8% lift in the price index, against our expectations of a moderate pullback, with most product prices lifting, including a 2.4% increase in whole milk powder and 0.4% increase in skim milk powder. NZ makes very little milk at this time of year, but current pricing helps shape milk price forecasts and risks for the next dairy season starting 1 June.

After rejecting a cease-fire proposal that was accepted by Hamas, Israel seized control of the Palestinian side of the Rafah border crossing in Gaza, with a military spokesman describing the defence force’s activities as a “precise counterterrorism operation”. Oil prices have been largely tracking sideways to modestly higher this week amidst recent developments, with Brent crude at around USD83.25.

The economic calendar remains light, with only German industrial production data of note.

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## Coming Up

		Period	Cons.	Prev.	NZT
GE	Industrial production (m/m%)	Mar	-0.7	2.1	18:00

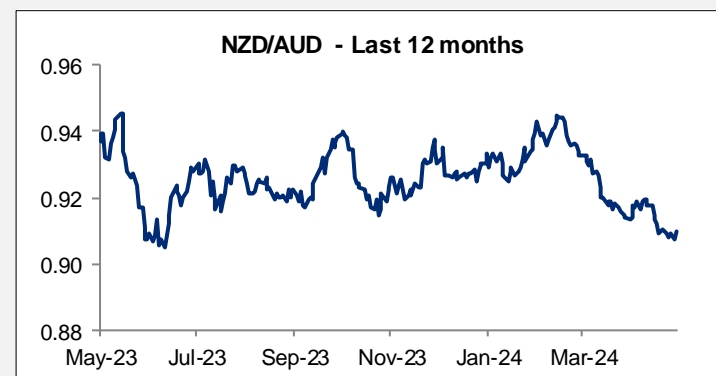
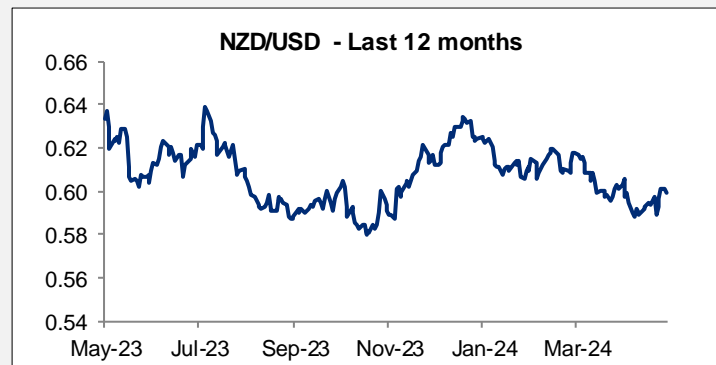
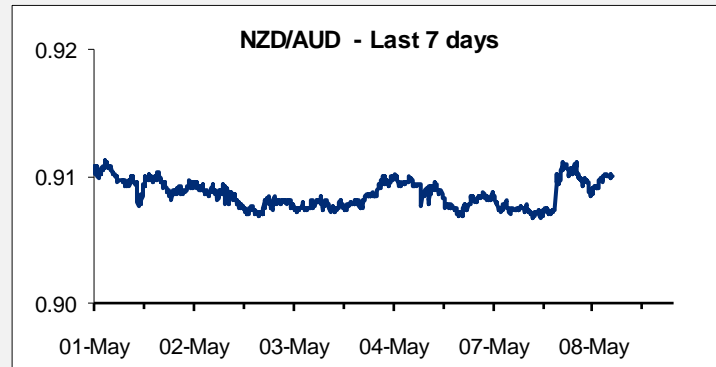
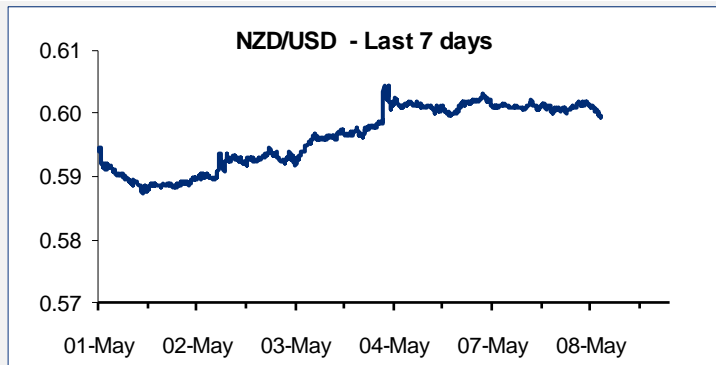
Source: Bloomberg, BNZ

Currencies						Equities				Commodities					
Global froces		Indicative overnight ranges (*)		Other FX		Major Indices				Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.5997	-0.2	0.5995	0.6021	CHF	0.9090	+0.3		S&P 500	5,182	+0.0	25.3	Oil (Brent)	83.31	-0.0
AUD	0.6591	-0.5	0.6588	0.6624	SEK	10.875	+0.5		Dow	38,861	+0.0	15.4	Oil (WTI)	78.56	+0.1
EUR	1.0751	-0.2	1.0748	1.0787	NOK	10.920	+0.7		Nasdaq	16,324	-0.2	33.4	Gold	2322.3	-0.4
GBP	1.2505	-0.5	1.2501	1.2565	HKD	7.822	+0.0		Stoxx 50	5,016	+1.2	15.6	HRC steel	785.0	+0.8
JPY	154.72	+0.5	153.98	154.75	CNY	7.219	+0.1		FTSE	8,314	+1.2	6.9	CRB	287.6	+0.4
CAD	1.3736	+0.5			SGD	1.355	+0.3		DAX	18,430	+1.4	15.5	Wheat Chic.	643.3	-0.8
NZD/AUD	0.9099	+0.3			IDR	16,046	+0.1		CAC 40	8,076	+1.0	8.6	Sugar	19.95	+2.4
NZD/EUR	0.5578	-0.0			THB	36.91	+0.4		Nikkei	38,835	+1.6	34.1	Cotton	77.00	-1.0
NZD/GBP	0.4796	+0.2			KRW	1,360	+0.1		Shanghai	3,148	+0.2	-7.3	Coffee	196.7	+0.7
NZD/JPY	92.79	+0.3			TWD	32.38	+0.1		ASX 200	7,793	+1.4	7.1	WM powder	3070	-1.0
NZD/CAD	0.8237	+0.3			PHP	57.24	+0.0		NZX 50	11,801	-0.2	-1.2	<b>Australian Futures</b>		
NZ TWI	70.76	+0.0						VIX Index	13.40	-0.7	-22.0	3 year bond	96.09	0.11	
<b>Interest Rates</b>										10 year bond 95.72 0.11					
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	5.59	4.74	4.08	USD	4.46	-0.03	15-May-26	4.74	-0.02	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.42	4.22	4.49	AUD	4.31	-0.07	15-Apr-27	4.60	-0.03	BKBM 3-mth	5.63	0.00		
NZD	5.50	5.63	4.99	4.59	NZD	4.72	-0.05	15-May-28	4.55	-0.03	1 year	5.42	0.02		
EUR	4.00	3.82	3.26	2.71	GER	2.42	-0.05	20-Apr-29	4.53	-0.04	2 year	4.99	0.00		
GBP	5.25	5.30	4.55	3.85	GBP	4.13	-0.10	15-May-30	4.55	-0.04	3 year	4.72	-0.01		
JPY	0.08	-0.03	0.36	0.93	JPY	0.87	-0.03	15-May-31	4.59	-0.05	5 year	4.51	-0.01		
CAD	5.00	5.27	4.52	3.90	CAD	3.58	-0.04	15-May-32	4.65	-0.05	7 year	4.51	-0.02		
						<b>NZ Inflation-Indexed Bonds</b>		14-Apr-33	4.68	-0.05	10 year	4.59	-0.02		
						Sep-30	2.31	-0.05	15-May-34	4.72	-0.05	15 year	4.74	-0.02	
						Sep-35	2.64	-0.05	15-May-35	4.77	-0.05				
						Sep-40	2.82	-0.05	15-May-37	4.88	-0.04				
									15-May-41	5.01	-0.04				
									15-May-51	5.01	-0.04				
									15-May-54	5.04	-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**

8/05/2024	6:54 am	Prev. NY close
USD	0.5997	0.6009
GBP	0.4796	0.4783
AUD	0.9099	0.9070
EUR	0.5578	0.5580
JPY	92.79	92.49
CAD	0.8237	0.8212
CHF	0.5451	0.5446
DKK	4.1605	4.1622
FJD	1.3504	1.3592
HKD	4.6906	4.6981
INR	50.08	50.17
NOK	6.5488	6.5139
PKR	165.61	167.23
PHP	34.33	34.39
PGK	2.2872	2.2909
SEK	6.5218	6.4992
SGD	0.8125	0.8119
CNY	4.3292	4.3318
THB	22.13	22.11
TOP	1.4124	1.3997
VUV	72.54	72.76
WST	1.6336	1.6479
XPF	66.68	66.81
ZAR	11.1059	11.1028



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.11	0.13
3 Months	-0.20	0.31
6 Months	-0.52	0.48
9 Months	-0.93	1.07
1 Year	-1.05	1.95

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.37	-8.78
3 Months	-24.60	-23.43
6 Months	-44.94	-42.34
9 Months	-59.75	-54.68
1 Year	-69.53	-62.28

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