Markets Today

9 April 2024

Events Round-Up

JN: Labour cash earnings (y/y%), Feb: 1.8 vs. 1.8 exp.

AU: Home loans value (m/m%), Feb: 1.5 vs. 2.0 exp.

GE: Industrial production (m/m%), Feb: 2.1 vs. 0.5 exp.

Good Morning

Market movements have been well contained to kick off the week without any key catalysts to perturb pricing. There was a total eclipse of the sun in the US and a total eclipse of the year-to-date highs for US rates overnight, before they settled back down, seeing the 10-year Treasury yield little changed from the NZ close. US equities are slightly higher and the USD is slightly weaker. The NZD and AUD have outperformed a touch, supported by higher commodity prices.

In the absence of any fresh news, last week's themes that drove markets remain in play at the start of a new week. US Treasury yields hit fresh highs for the year as the investors continue to push out the timing and scope of Fed rate cuts this year. The 2-year rate rose to an overnight high of 4.79% and the 10-year rate reached 4.46%. Both are currently up 2-3bps on the day, but little changed from the NZ close, the 10-year rate at 4.42%. Fed Funds rate pricing suggests that the June meeting is close to a coin toss between a cut and keeping rates on hold, the first full rate isn't priced until August and just 63bps of cuts are now priced for the year, essentially a coin toss between two or three rate cuts.

US CPI data for March due Wednesday night will impact this pricing if the data surprises. The NY Fed's survey on inflation expectations released overnight didn't move the needle, with the median year-ahead figure steady at 3% for a third consecutive month after trending lower prior to that, the 3-years-ahead figure up 2-ticks to 2.9% and the 5-years-ahead figure down 3-ticks to 2.6%, the latter two series directionless over the past year.

In his annual shareholder letter, JP Morgan CEO Jamie Dimon's comments were sobering. He said, "we may be entering one of the most treacherous geopolitical eras since World War II." He repeated, but didn't labour, his previous warnings on high debt levels, fiscal stimulus, ongoing deficit spending and the unknown effects of quantitative tightening, simply adding that the impact of geopolitical and economic forces are "large and somewhat unprecedented". He said that the bank was prepared for a wide range of economic outcomes and broad range of interest rates, from 2% to 8% "or even more".

In currency markets movements have been small to modest, with JPY underperforming against a backdrop of slightly higher global rates, but USD/JPY meeting resistance just under 152 with the threat of official intervention overhanging, and speculators not quite ready to take on Japan's MoF. The USD is on the soft side, with DXY down 0.2%, but gains for EUR, GBP and CAD have been contained to within 0.1-0.2%.

The NZD and AUD have outperformed, with last week's "global reflation" trade still seemingly in play as commodity prices continue to push higher. On the London Metal Exchange, six of the seven key metals showed a lift in pricing, including a near 1% gain for copper to USD9412. The AUD is up 0.4% since last week's close to just over 0.66 while the NZD is up 0.3% to 0.6035. China continued to show strong support for the yuan at its daily fixing.

Higher global rates from the previous NZ close drove NZGB yields up 9-10bps across the curve yesterday, with the 10-year rate closing at 4.74%. The swap market outperformed with the 2-year rate up just 6bps to 4.95% and the 10-year rate up 8bps to 4.54%. There has been little change in Australian bond futures overnight. The RBNZ's MPR on Wednesday is widely seen to be uneventful for the market, with little change in view expected from the RBNZ.

In the day ahead, the NZIER's quarterly survey of business opinion will shed some more light on the extent of spare capacity in the economy, pricing tensions and economic activity, ahead of the RBNZ's policy review tomorrow. Global data are second-tier, although the US NFIB survey of small businesses is under-rated and has been signalling some cracks opening up in the US economy of late.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Qtrly survey of business opin.	Q2			10:00
AU	Westpac consumer confidence	Apr		84.4	12:30
AU	NAB business conditions	Mar		10	13:30
US	NFIB small business optimism	Mar	89.9	89.4	22:00

Source: Bloomberg, BNZ

Currencies

Global froces **Indicative overnight ranges (*)**

	Last	% Day	Low	High
NZD	0.6032	+0.3	0.6009	0.6039
AUD	0.6604	+0.4	0.6578	0.6610
EUR	1.0857	+0.2	1.0821	1.0862
GBP	1.2656	+0.1	1.2614	1.2664
JPY	151.79	+0.1	151.72	151.94
CAD	1.3577	-0.1		
NZD/AUD	0.9134	-0.1		
NZD/EUR	0.5556	+0.1		
NZD/GBP	0.4766	+0.2		
NZD/JPY	91.56	+0.4		
NZD/CAD	0.8190	+0.2		
NZ TWI	70.87	+0.2		

Other FX

	Last	% Day
CHF	0.9048	+0.3
SEK	10.563	-0.7
NOK	10.685	-0.4
HKD	7.831	+0.0
CNY	7.231	-0.0
SGD	1.347	-0.1
IDR	15,848	-0.3
THB	36.68	+0.2
KRW	1,353	+0.0
TWD	32.10	+0.2
PHP	56.49	-0.0

Equities

Major Indices

	Last	% Day	% Year
S&P 500	5,206	+0.0	26.8
Dow	38,924	+0.1	16.2
Nasdaq	16,271	+0.1	34.6
Stoxx 50	5,046	+0.6	17.1
FTSE	7,943	+0.4	2.6
DAX	18,319	+0.8	17.4
CAC 40	8,119	+0.7	10.8
Nikkei	39,347	+0.9	43.0
Shanghai	3,047	-0.7	-8.4
ASX 200	7,789	+0.2	7.9
NZX 50	11,974	-0.3	0.9
VIX Index	15.38	-4.1	-16.4

Commodities

Price (Near futures, except CRB)

	Last	Net Day
Oil (Brent)	90.49	-0.7
Oil (WTI)	86.52	-0.4
Gold	2341.8	+0.7
HRC steel	845.0	-0.9
CRB	297.6	+0.4
Wheat Chic.	580.5	-0.2
Sugar	21.59	-1.8
Cotton	86.65	+0.6
Coffee	209.5	-0.7
WM powder	3280	+0.0

Australian Futures

3 year bond	96.27	-0.08
10 year bond	95.81	-0.02

Interest Rates

	Rates	Swap Yields		
	Cash	3Mth	2 Yr	10 Yr
USD	5.50	5.56	4.69	4.05
AUD	4.35	4.35	4.04	4.38
NZD	5.50	5.63	4.95	4.54
EUR	4.00	3.89	3.23	2.71
GBP	5.25	5.30	4.47	3.81
JPY	0.08	-0.03	0.31	0.90
CAD	5.00	5.29	4.55	3.95

Benchmark 10 Yr Bonds

	Last	Net Day
USD	4.42	0.02
AUD	4.20	0.10
NZD	4.74	0.10
GER	2.44	0.04
GBP	4.09	0.02
JPY	0.80	0.01
CAD	3.61	0.02

NZ Inflation-Indexed Bonds

Sep-30	2.42	0.08
Sep-35	2.73	0.08
Sep-40	2.92	0.08

NZ Government Bonds

	Last	Chg
15-May-26	4.73	0.10
15-Apr-27	4.58	0.10
15-May-28	4.52	0.10
20-Apr-29	4.52	0.10
15-May-30	4.56	0.10
15-May-31	4.61	0.10
15-May-32	4.66	0.10
14-Apr-33	4.69	0.10
15-May-34	4.74	0.10
15-May-35	4.80	0.10
15-May-37	4.89	0.10
15-May-41	5.01	0.09
15-May-51	5.00	0.09
15-May-54	5.03	0.09

NZ BKBM and Swap Yields

	Last	Chg
BKBM 1-mth	5.59	0.00
BKBM 3-mth	5.63	0.00
1 year	5.38	0.04
2 year	4.95	0.06
3 year	4.67	0.07
5 year	4.48	0.08
7 year	4.47	0.08
10 year	4.54	0.08
15 year	4.68	0.08

* These are indicative r 06:56
please confirm rates with your BNZ dealer
Rates are as of: NZT
Source: Bloomberg

NZD exchange rates

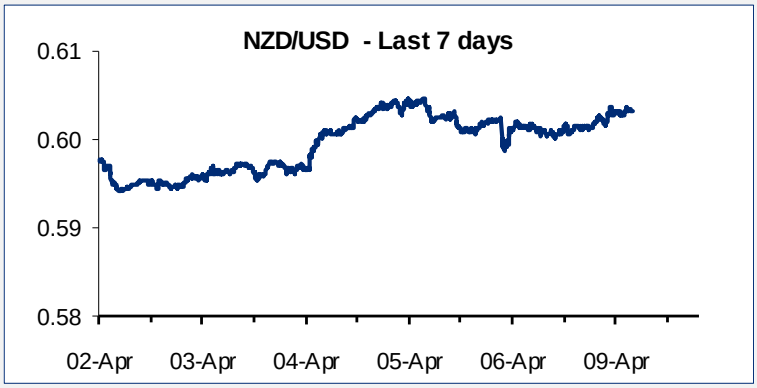
9/04/2024	6:56 am	Prev. NY close
USD	0.6032	0.6013
GBP	0.4766	0.4758
AUD	0.9134	0.9140
EUR	0.5556	0.5549
JPY	91.56	91.17
CAD	0.8190	0.8172
CHF	0.5458	0.5423
DKK	4.1441	4.1384
FJD	1.3552	1.3573
HKD	4.7238	4.7074
INR	50.26	50.08
NOK	6.4449	6.4514
PKR	167.73	167.24
PHP	34.08	33.98
PGK	2.2719	2.2716
SEK	6.3714	6.3990
SGD	0.8128	0.8110
CNY	4.3616	4.3493
THB	22.10	22.08
TOP	1.4203	1.3932
VUV	73.10	72.80
WST	1.6549	1.6455
XPF	66.44	66.26
ZAR	11.2357	11.2455

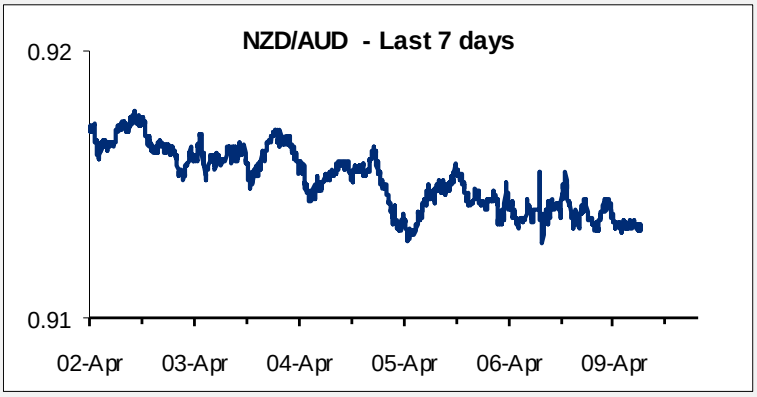
NZD/USD Forward Points

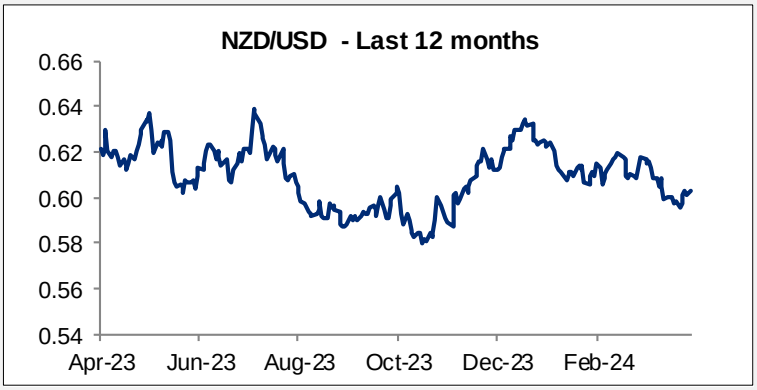
	BNZ buys NZD	BNZ sells NZD
1 Month	-0.09	0.32
3 Months	-0.19	0.37
6 Months	-0.36	0.75
9 Months	-0.48	1.53
1 Year	-1.35	1.65

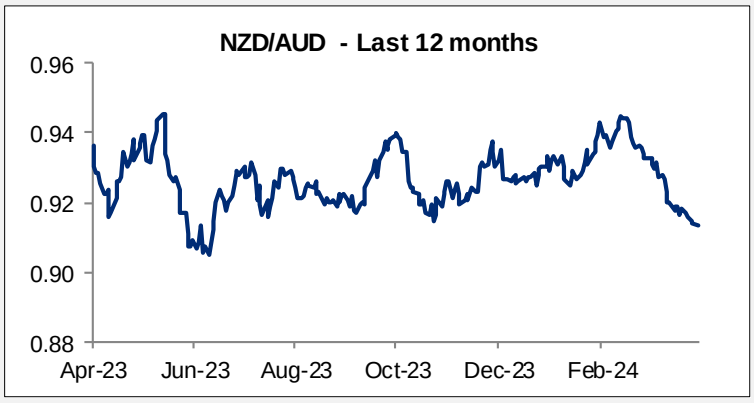
NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.17	-7.29
3 Months	-23.72	-22.42
6 Months	-44.84	-41.80
9 Months	-63.10	-58.04
1 Year	-78.39	-70.83









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