

Research Markets Today

1 May 2024

Events Round-Up

JN: Industrial production (m/m%), Mar: 3.8 vs. 3.5 exp.
 NZ: ANZ activity outlook (net%), Apr: 14.3 vs. 22.9 exp.
 CH: Manufacturing PMI, Apr: 50.4 vs. 50.3 exp.
 CH: Non-manufacturing PMI, Apr: 51.2 vs. 52.2 exp.
 CH: Caixin PMI manufacturing, Apr: 51.4 vs. 51 exp.
 AU: Retail sales (m/m%), Mar: -0.4 vs. 0.2 exp.
 GE: Unemployment rate (%), Apr: 5.9 vs. 5.9 exp.
 GE: GDP (q/q%), Q1: 0.2 vs. 0.1 exp.
 EA: CPI (y/y%), Apr: 2.4 vs. 2.4 exp.
 EA: CPI core (y/y%), Apr: 2.7 vs. 2.6 exp.
 EA: GDP (q/q%), Q1: 0.3 vs. 0.1 exp.
 US: Employment cost index (q/q%), Q1: 1.2 vs. 1 exp.
 CA: GDP (m/m%), Feb: 0.2 vs. 0.3 exp.
 US: Chicago PMI, Apr: 37.9 vs. 45 exp.
 US: Conf. Board consumer confid., Apr: 97 vs. 104 exp.

Good Morning

Investor risk sentiment was undermined into April month end by US economic data that revealed persistent wage pressures and a sharp fall in consumer confidence. The S&P fell close to 1% and looks set for its weakest monthly performance since September. European stocks were also under pressure. Global bond yields moved higher and the US dollar advanced.

The employment cost index (ECI), which is closely monitored by the Federal Reserve, rose by 1.2% in Q1. This exceeded all projections on the Bloomberg poll of economists - the consensus was for a 1% rise - and represented a pickup from 0.9% in Q4. The labour cost figures are the latest in a series of above expectations inflation prints, and raised concerns that sticky wage inflation, could further delay the Fed's rate cutting cycle.

The Conference Board's consumer confidence index fell to 97, which is the lowest level since mid-2022, and well below the consensus estimate of 104. The fall is likely attributable to weaker equities and an increase in energy costs, alongside fundamental drivers, given less optimism about the labour market and concerns about future economic conditions.

In Europe April headline CPI rose 2.4% on an annual basis, which was unchanged from March, and in line with expectations. Core inflation declined to 2.7% from 2.9% though was marginally above expectations. The Eurozone economy expanded 0.3% in the March quarter, which was faster than expected, and underpinned by a recovery in Germany. The data had little impact on pricing for ECB

monetary policy. June remains the base case for the first rate cut which is almost fully discounted by market pricing.

China manufacturing PMI posted a second month in expansion raising hopes the economic rebound can be sustained. The official PMI reached 50.4, which was marginally higher than expected, but below its level in March. The Caixin PMI manufacturing PMI, which largely reflects activity amongst medium-sized private sector enterprises, reached the highest level since February 2023.

US treasury yields spiked higher following the ECI data. 2-year yields traded back above 5%, which corresponds with the top end of the range for much of April, and the highs for the year. It was a parallel curve shift with 10-year yields up 5bps to 4.67%. European bonds matched the move in treasuries. 10-year bund yields increased 5bps to 2.58%.

The US dollar made broad based gains against developed market currencies. The dollar index increased more than 0.5% aligned with move higher in treasury yields. Core European currencies outperformed within the G10 supported by better than expected Eurozone GDP data. The yen was weaker against the dollar, retracing a portion of the move, following suspected intervention by Japanese authorities on Monday.

The Australasian currencies underperformed and are close to 0.8% lower overnight. NZD/USD, which was weak in the local session yesterday, continued the decline and traded down towards 0.5900 amid the stronger US dollar backdrop. NZD/AUD was stable near 0.9100 while NZD/EUR dipped towards 0.5520, close to the April low.

NZ fixed income yields moved lower in the local session yesterday. The initial directional bias was provided by offshore markets which gained momentum after the weak Australian retail sales data. In addition, a significant duration extension for the widely followed Bloomberg NZ Bond Treasury Index also contributed to NZGB demand. There was a 6bps lower parallel shift for the government curve with 10-year bonds closing at 4.90%.

Australian 10-year bond futures are close to 6bps higher in yield terms overnight, and combined with the move in US treasuries, point towards higher NZ yields on the local open.

It is a busy economic calendar. The domestic focus will centre on Q1 labour market data. We forecast the unemployment rate will increase to 4.3%, in line with the consensus, and marginally above the RBNZ's 4.2% projection. Later this evening, US labour market indicators and the manufacturing ISM are released ahead of the FOMC tomorrow morning (NZT). The Fed is unanimously expected to leave rates unchanged and will likely reiterate recent upside inflation surprises have made them cautious about easing, but this has already been discounted by the rates market. There are no new economic projections.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	RBNZ Publishes Financial Stability Report				09:00
NZ	Pvt Wages Ex Overtime (q/q%)	1Q	0.8	1	10:45
NZ	Unemployment Rate	1Q	4.3	4	10:45
NZ	Average Hourly Earnings (q/q%)	1Q		0.5	10:45
NZ	Employment Change (q/q%)	1Q	0.3	0.4	10:45
US	ADP Employment Change (k)	Apr	180	184	00:15
US	JOLTS Job Openings (k)	Mar	8675	8756	02:00
US	ISM Manufacturing	Apr	50	50.3	02:00
US	FOMC Rate Decision	May	5.5	5.5	06:00
US	Fed Chair Powell Post-Meeting Press Conference				06:30

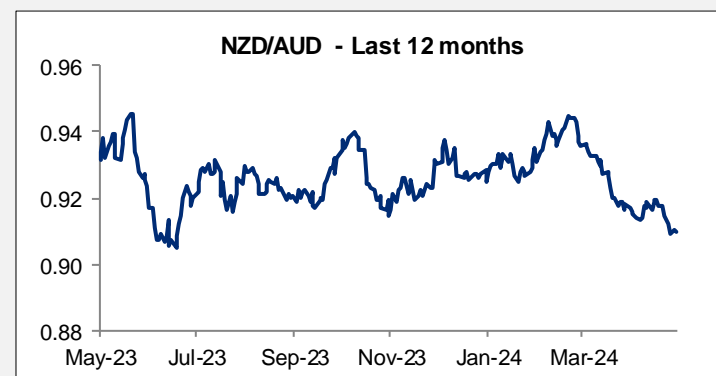
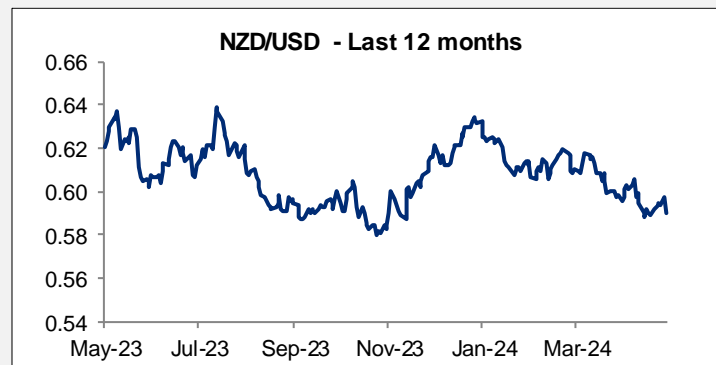
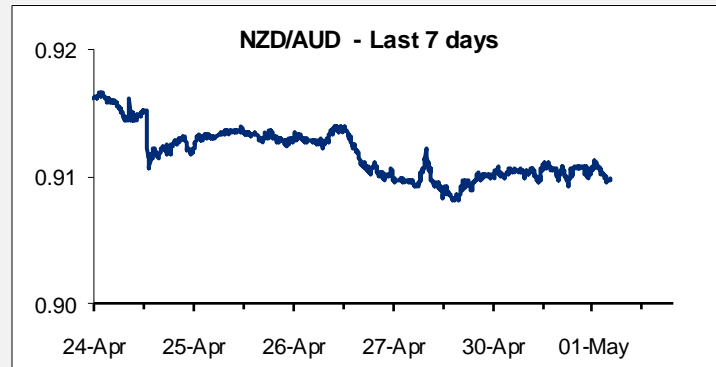
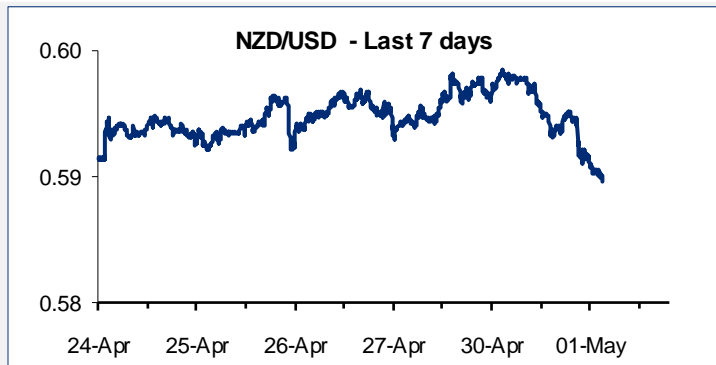
Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.5897	-1.4	0.5896	0.5953	CHF	0.9191	+1.0		S&P 500	5,071	-0.9	21.6	Oil (Brent)	87.87	-0.6
AUD	0.6481	-1.3	0.6480	0.6537	SEK	11.006	+0.8		Dow	37,913	-1.2	11.2	Oil (WTI)	81.84	-0.9
EUR	1.0677	-0.4	1.0675	1.0735	NOK	11.093	+0.9		Nasdaq	15,774	-1.3	29.0	Gold	2305.7	-2.2
GBP	1.2500	-0.5	1.2498	1.2555	HKD	7.822	-0.0		Stoxx 50	4,921	-1.2	12.9	HRC steel	826.0	-0.2
JPY	157.69	+0.9	156.49	157.69	CNY	7.241	+0.2		FTSE	8,144	-0.0	3.5	CRB	295.3	-0.5
CAD	1.3766	+0.8			SGD	1.365	+0.4		DAX	17,932	-1.0	12.6	Wheat Chic.	604.3	-0.7
NZD/AUD	0.9099	-0.1			IDR	16,259	+0.0		CAC 40	7,985	-1.0	6.6	Sugar	19.71	-2.4
NZD/EUR	0.5523	-1.0			THB	37.18	+0.5		Nikkei	38,406	+1.2	31.9	Cotton	79.30	-0.9
NZD/GBP	0.4718	-0.9			KRW	1,382	+0.3		Shanghai	3,105	-0.3	-6.6	Coffee	216.7	-4.8
NZD/JPY	92.99	-0.5			TWD	32.58	+0.0		ASX 200	7,664	+0.3	4.9	WM powder	3125	-0.6
NZD/CAD	0.8118	-0.6			PHP	57.77	+0.1		NZX 50	11,958	+0.3	-0.5	Australian Futures		
NZ TWI	70.12	-0.9						VIX Index	15.22	+3.7	-3.5	3 year bond	95.97	0.07	
Interest Rates											10 year bond 95.52 -0.01				
	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	4.96	4.31	USD	4.68	0.07	15-May-26	4.92	-0.05	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.41	4.35	4.70	AUD	4.42	-0.06	15-Apr-27	4.77	-0.05	BKBM 3-mth	5.63	0.00		
NZD	5.50	5.63	5.11	4.77	NZD	4.90	-0.06	15-May-28	4.73	-0.05	1 year	5.50	-0.03		
EUR	4.00	3.84	3.39	2.86	GER	2.58	0.05	20-Apr-29	4.72	-0.05	2 year	5.11	-0.08		
GBP	5.25	5.30	4.75	4.08	GBP	4.35	0.06	15-May-30	4.74	-0.05	3 year	4.87	-0.08		
JPY	0.08	-0.03	0.36	0.98	JPY	0.88	-0.01	15-May-31	4.79	-0.05	5 year	4.69	-0.09		
CAD	5.00	5.28	4.72	4.14	CAD	3.82	0.07	15-May-32	4.83	-0.05	7 year	4.69	-0.09		
							NZ Inflation-Indexed Bonds		14-Apr-33	4.86	-0.06	10 year	4.77	-0.09	
							Sep-30	2.49	-0.03	15-May-34	4.90	-0.06	15 year	4.90	-0.09
							Sep-35	2.81	-0.03	15-May-35	4.95	-0.07			
							Sep-40	2.98	-0.06	15-May-37	5.04	-0.07			
										15-May-41	5.16	-0.06			
										15-May-51	5.15	-0.06			
										15-May-54	5.17	-0.06			

* These are indicative r 06:52
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

1/05/2024	6:53 am	Prev. NY close
USD	0.5897	0.5978
GBP	0.4718	0.4758
AUD	0.9099	0.9103
EUR	0.5523	0.5576
JPY	92.99	93.47
CAD	0.8118	0.8167
CHF	0.5420	0.5442
DKK	4.1191	4.1587
FJD	1.3384	1.3611
HKD	4.6126	4.6781
INR	49.20	49.90
NOK	6.5414	6.5727
PKR	164.19	166.23
PHP	34.07	34.48
PGK	2.2431	2.2670
SEK	6.4904	6.5304
SGD	0.8047	0.8128
CNY	4.2701	4.3215
THB	21.85	22.14
TOP	1.3869	1.4033
VUV	71.65	72.92
WST	1.6195	1.6367
XPF	65.85	66.50
ZAR	11.1049	11.1373



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.14	0.07
3 Months	-0.22	0.22
6 Months	-0.29	0.71
9 Months	0.05	2.05
1 Year	1.23	4.23

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.42	-8.86
3 Months	-24.56	-23.45
6 Months	-44.68	-41.89
9 Months	-59.93	-54.81
1 Year	-70.73	-63.35

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