

Research Markets Today

10 April 2024

Events Round-Up

NZ: QSBO expected own-activity, Q1: -11 vs. +7 prev.
 AU: Westpac consumer confidence, Apr: 82.4 vs. 84.4 prev.
 AU: NAB business conditions, Mar: 9 vs. 10 prev.
 US: NFIB small business optimism, Mar: 88.5 vs. 89.9 exp.

Good Morning

It has been another uneventful day in financial markets, with the key move being a steady fall in US Treasury yields after the recent lift to 2024 highs, ahead of tonight's key US CPI report. US equities are down modestly. Currency moves have been small in net terms although the NZD and AUD remain on the positive side of the ledger as global commodity prices continue to push higher.

The week continues with a lack of newsflow to drive markets but that could all change tonight with the release of US CPI data. The market will be highly sensitive to the detail of the report, including the second decimal place. After signs of higher inflation over January and February, a positive surprise would further push out the timing and scope for Fed rate cuts. A negative surprise would act in the opposite direction by supporting a June rate cut.

Just ahead of that release, US rates have steadily fallen, but in the context of a decent lift after last week's strong employment report and spillover effects that carried into earlier this week. The 10-year rate is down 6bps for the day to 4.36%, with most of that coming after the NZ close. The curve shift has essentially been parallel, with rates down 5-6bps from 2-years out to 30-years. European rates have fallen by a similar amount, with 10-year yields down 6bps for the UK and Germany.

In economic news, the NFIB survey of US small businesses showed optimism fell to 88.5, the lowest level in more than 11-years, after falling for seven of the past eight months. The survey shows widespread pessimism, despite the backdrop of a strong equity market. In the official release the group's chief economist noted "numerous economic headwinds", with inflation returning to be the top business problem. Sales expectations weakened considerably, tighter credit conditions are weighing on activity and capex and employment intentions continue to push lower.

In currency markets there have only small net moves, with overnight changes confined to within plus or minus 0.2% against the USD. Bloomberg reported that the BoJ will likely consider raising its inflation forecast at a policy meeting later this month after surprisingly strong results from annual wage negotiations. The report had little impact on the market, with USD/JPY flat compared to this time yesterday at 151.70.

The NZD and AUD continue their outperforming run, supported by higher commodity prices, albeit net gains have been modest for the day. Metal prices continue to push higher on the London Metals Exchange while, overnight, spot gold prices rose to a fresh record high of USD2365 an ounce.

The NZD met some resistance just under the 0.6080 mark and currently trades at 0.6050. The AUD is at 0.6620 after a brief run up towards 0.6650. Most NZD crosses are modestly higher, although NZD/AUD has been flat, hovering around 0.9140.

In the domestic rates market the focus was on the LGFA's syndicated tap with issuance of \$1.4b of 2026/2031 bonds. The deal was well supported and both tranches cleared at the tight end of their launch ranges. NZGBs slightly underperformed on a cross market basis and yields rose 2-3bps across the curve. Swap rates were also up 2-3bps. There was no market reaction to the NZIER's quarterly survey of business opinion, with more interest in today's RBNZ Monetary Policy Review.

The QSBO showed broadly weaker activity indicators, consistent with recessionary conditions, and rising slack in the economy that should ultimately lead to much weaker inflation pressure. Inflation gauges continued to move in the right direction, albeit remaining higher than would be consistent with annual inflation at the RBNZ's target midpoint.

For the RBNZ's MPR this afternoon, it is widely anticipated that the tone will largely be a cut-and-paste from the February MPS, with policy firmly on hold for now and the Bank unlikely willing at this stage to guide towards easier policy. With no new projections released, the event should pass with little sustained market reaction. Tonight, the focus will be on the US CPI data, where the market expects 0.3% m/m changes for both the headline and ex food and energy measures. The Bloomberg survey shows a downward skew for the core measure, with only 1

economist picking an upside surprise of 0.4% and 10 picking a downside surprise to 0.2%. The Bank of Canada is widely expected to keep policy on hold and the market will be sniffing out for any hints of timing on the first rate cut.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	RBNZ official cash rate (%)	Apr	5.5	5.5	14:00
US	CPI (m/m%)	Mar	0.3	0.4	00:30
US	CPI ex food, energy (m/m%)	Mar	0.3	0.4	00:30
US	CPI (y/y%)	Mar	3.4	3.2	00:30
US	CPI ex food, energy (y/y%)	Mar	3.7	3.8	00:30
CA	Bank of Canada policy rate (%)	Apr	5.0	5.0	01:45
US	FOMC meeting minutes	Mar			06:00

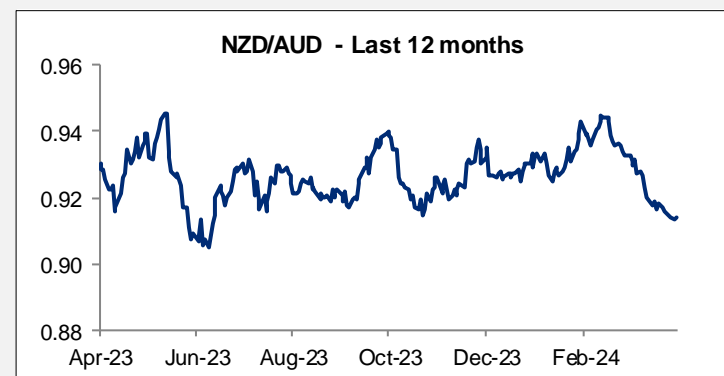
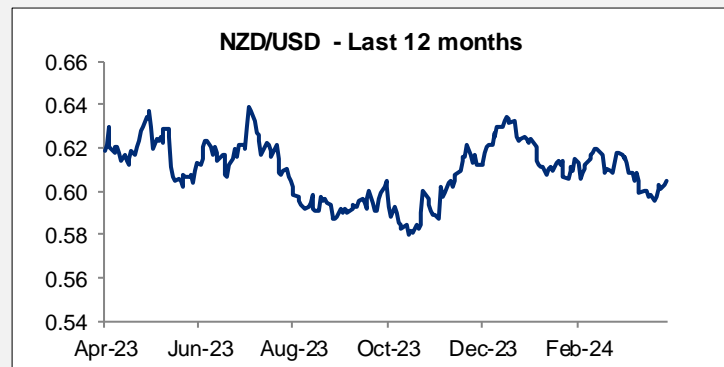
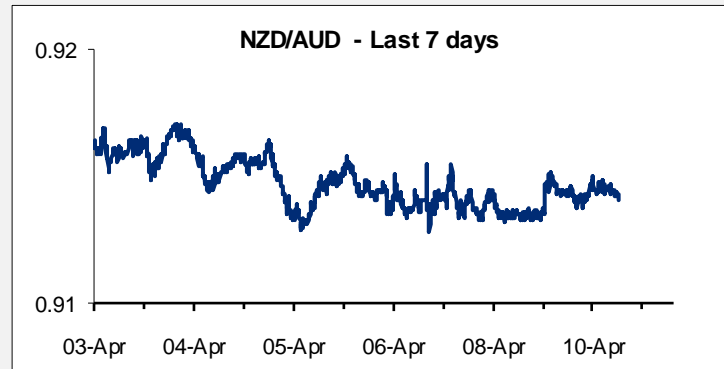
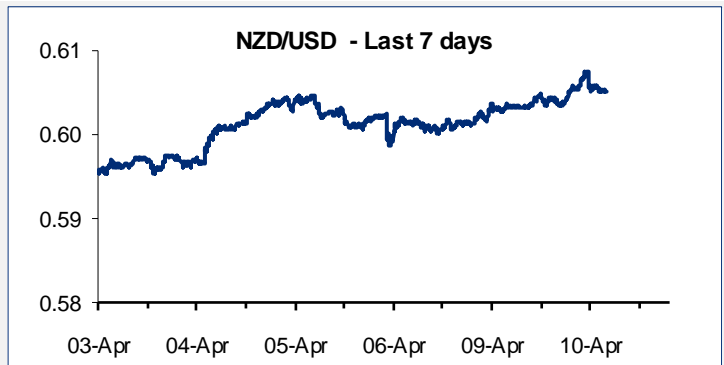
Source: Bloomberg, BNZ

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	0.6052	+0.3	0.6034	0.6077	CHF	0.9037	-0.2		S&P 500	5,185	-0.3	26.3	Oil (Brent)	89.45	-1.0
AUD	0.6621	+0.3	0.6599	0.6644	SEK	10.567	+0.0		Dow	38,729	-0.4	15.7	Oil (WTI)	85.25	-1.4
EUR	1.0853	-0.1	1.0849	1.0885	NOK	10.687	+0.0		Nasdaq	16,220	-0.2	34.2	Gold	2343.5	+0.5
GBP	1.2669	+0.1	1.2649	1.2709	HKD	7.831	-0.0		Stoxx 50	4,991	-1.1	15.8	HRC steel	842.0	-0.6
JPY	151.74	-0.1	151.57	151.94	CNY	7.232	+0.0		FTSE	7,935	-0.1	2.5	CRB	297.5	-0.0
CAD	1.3582	+0.1			SGD	1.345	-0.2		DAX	18,077	-1.3	15.9	Wheat Chic.	572.0	-1.5
NZD/AUD	0.9141	+0.1			IDR	15,848	-0.3		CAC 40	8,049	-0.9	9.9	Sugar	21.49	-0.5
NZD/EUR	0.5576	+0.4			THB	36.33	-1.0		Nikkei	39,773	+1.1	43.9	Cotton	86.04	-0.6
NZD/GBP	0.4777	+0.2			KRW	1,355	+0.1		Shanghai	3,049	+0.0	-8.0	Coffee	211.9	+1.0
NZD/JPY	91.83	+0.3			TWD	32.11	+0.0		ASX 200	7,824	+0.5	8.4	WM powder	3315	+1.1
NZD/CAD	0.8220	+0.4			PHP	56.43	-0.1		NZX 50	11,917	-0.5	0.4	Australian Futures		
NZ TWI	71.05	+0.2						VIX Index	15.61	+2.8	-15.2	3 year bond	96.30	0.03	
Interest Rates												10 year bond	95.88	0.07	
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	5.56	4.65	3.99	USD	4.37	-0.05	15-May-26	4.76	0.03	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.35	4.00	4.31	AUD	4.17	-0.02	15-Apr-27	4.60	0.03	BKBM 3-mth	5.63	0.00		
NZD	5.50	5.63	4.97	4.56	NZD	4.77	0.03	15-May-28	4.55	0.03	1 year	5.39	0.01		
EUR	4.00	3.90	3.20	2.65	GER	2.37	-0.06	20-Apr-29	4.55	0.03	2 year	4.97	0.02		
GBP	5.25	5.30	4.43	3.74	GBP	4.03	-0.06	15-May-30	4.58	0.03	3 year	4.70	0.03		
JPY	0.14	-0.03	0.32	0.89	JPY	0.80	-0.00	15-May-31	4.63	0.02	5 year	4.50	0.03		
CAD	5.00	5.29	4.51	3.90	CAD	3.56	-0.07	15-May-32	4.68	0.03	7 year	4.49	0.02		
						NZ Inflation-Indexed Bonds		14-Apr-33	4.72	0.03	10 year	4.56	0.02		
						Sep-30	2.41	-0.00	15-May-34	4.77	0.03	15 year	4.69	0.02	
						Sep-35	2.73	0.00	15-May-35	4.83	0.03				
						Sep-40	2.92	0.00	15-May-37	4.92	0.02				
									15-May-41	5.03	0.02				
									15-May-51	5.02	0.02				
									15-May-54	5.05	0.02				

* These are indicative r 06:53
please confirm rates with your BNZ dealer
Rates are as of: NZT
Source: Bloomberg

NZD exchange rates

10/04/2024	6:54 am	Prev. NY close
USD	0.6052	0.6032
GBP	0.4777	0.4766
AUD	0.9141	0.9134
EUR	0.5576	0.5555
JPY	91.83	91.58
CAD	0.8220	0.8187
CHF	0.5469	0.5461
DKK	4.1598	4.1430
FJD	1.3649	1.3625
HKD	4.7392	4.7241
INR	50.42	50.24
NOK	6.4680	6.4450
PKR	168.23	167.77
PHP	34.19	34.09
PGK	2.2872	2.2719
SEK	6.3949	6.3720
SGD	0.8141	0.8128
CNY	4.3770	4.3616
THB	22.01	22.10
TOP	1.4019	1.4203
VUV	73.17	73.10
WST	1.6552	1.6548
XPF	66.65	66.44
ZAR	11.1762	11.2442



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.12	0.32
3 Months	0.24	0.84
6 Months	-0.83	0.27
9 Months	-1.48	0.59
1 Year	-3.55	-0.55

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.85	-7.93
3 Months	-23.90	-22.53
6 Months	-45.18	-42.23
9 Months	-64.29	-58.96
1 Year	-81.23	-73.51

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