

11 July 2017

Events Round-Up

CH: CPI (y/y%), Jun: 1.5 vs. 1.6 exp.

CH: PPI (y/y%), Jun: 5.5 vs. 5.5 exp.

Good Morning

It has been a very quiet start to the week. The holiday season and a lack of news have meant little movement in markets, especially currencies.

Trump is in the headlines again, with attention drawn to his team's conversations with Russian officials prior to the Presidential election. The market has given a collective yawn to all this as we've been down this road before. More importantly for the market in the weeks ahead, US politicians have returned from a mid-summer break, and focus has returned to getting the health care bill passed, which would allow some progress towards tax reform. It all continues to look messy. The key Republican players are optimistic that tax reform can happen this year, but others are calling it a train wreck.

At present, all major currencies sit within 0.1% of their Friday New York closes, except for NOK. Norway CPI inflation was higher than expected, increasing the probability that the trough in the policy rate has been reached – add Norway to the growing list of central banks with policy at an inflexion point. NOK has gained about 0.5%, taking USD/NOK down to 8.325.

The NZD has traded in a tight 20 pip range and sits at 0.7275. NZD/AUD has traded in a tight 30 pip range and sits at 0.9560. I'll spare the details on all the other currencies, with little movement seen across the board.

There has been a little more price action in the bond market, but not much more. Europe has remained in the driving seat. After selling off 10bps last week and 22bps the previous week, some buyers have emerged for

Germany's 10-year bunds, with the yield dropping 3bps to 0.54%. It has been a similar theme across the rest of Europe, with UK and French 10-year rates also down 3bps, and this dynamic has helped support US Treasuries. The US 10-year rate has traded in a tight 2.36-2.39% range and sits 1.5bps lower at 2.37%. The price action might mean little more than a temporary respite from the recent global rates sell-off.

Lower yields have lent some support for equity markets but movements have been modest. The S&P 500 is currently up 0.2%, following a 0.4% gain in the Euro Stoxx 600.

NZ rates were 1-2bps higher across the swap curve yesterday, with the 2-year rate up to 2.33% and the 10-year rate at 3.43%.

The economic calendar picks up a bit, but the releases ahead over the next 24 hours are second-tier, so it should be another quiet trading day. A couple of Fed speakers, Williams and Brainard, are in the mix, but their views have been recently aired elsewhere. Fed Chair Yellen's testimony to Congress Wednesday night NZ time is the key focus this week and we'll provide more colour on that tomorrow.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ Card spending retail (m/m%)	Jun	0.8	-0.4	10:45
AU NAB business conditions	Jun		12	13:30
AU Home loans (m/m%)	May	1.5	-1.9	13:30
US Fed's Williams Speaks in Sydney				15:05
US NFIB Small Business Optimism	Jun	104.4	104.5	22:00
US Fed's Brainard Speaks in New York				04:30

Source: Bloomberg, BNZ

Foreign Exchange							Equities				Commodities**			
Indicative overnight ranges (*)					Other FX		Major Indices			Price				
	Last	% Day	Low	High		Last	% Day			Last	Net Day			
NZD	0.7273	-0.1	0.7263	0.7283	CHF	0.9652	+0.1	S&P 500	2,431	+0.2	14.1	Oil (Brent)	46.87	+0.4
AUD	0.7607	+0.1	0.7587	0.7613	SEK	8.427	+0.0	Dow	21,438	+0.1	18.1	Oil (WTI)	44.39	+0.4
EUR	1.1406	+0.0	1.1382	1.1418	NOK	8.325	-0.5	Nasdaq	6,182	+0.5	24.7	Gold	1213.1	+0.3
GBP	1.2886	-0.0	1.2855	1.2908	HKD	7.813	+0.0	Stoxx 50	3,478	+0.4	22.6	HRC steel	625.0	+0.0
JPY	114.06	+0.1	114.00	114.30	CNY	6.804	-0.0	FTSE	7,370	+0.3	11.8	CRB	172.8	+0.2
CAD	1.2879	+0.0			SGD	1.385	+0.2	DAX	12,446	+0.5	29.2	Wheat Chic.	550.5	+2.9
NZD/AUD	0.9561	-0.3			IDR	13,398	-0.0	CAC 40	5,166	+0.4	23.3	Sugar	13.56	-4.2
NZD/EUR	0.6376	-0.3			THB	34.12	+0.0	Nikkei	20,081	+0.8	27.8	Cotton	67.72	-2.9
NZD/GBP	0.5644	-0.1			KRW	1,149	-0.4	Shanghai	3,213	-0.2	7.3	Coffee	128.6	+0.2
NZD/JPY	82.96	+0.0			TWD	30.56	-0.1	ASX 200	5,724	+0.4	7.3	WM powder	3150.0	+0.0
NZ TWI	78.41	-0.1			PHP	50.82	+0.4	NZX 50	7,584	-0.5	7.4	Australian Futures		
											3 year bond	97.99	0.01	
											10 year bond	97.28	0.02	
Interest Rates							NZ Government Bonds			NZ Swap Yields				
	Rates				Swap Yields		Benchmark 10 Yr Bonds			Last		Last		
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day							
USD	1.25	1.31	1.64	2.33	USD	2.37	-0.02	NZGB 3 04/15/20	2.28	0.01	1 year	2.09	0.00	
AUD	1.50	1.70	1.93	2.93	AUD	2.74	0.01	NZGB 6 05/15/21	2.42	0.02	2 year	2.33	0.00	
NZD	1.75	1.98	2.33	3.43	NZD	3.03	0.01	NZGB 5 1/2 04/15/23	2.70	0.02	5 year	2.91	0.01	
EUR	0.00	0.06	-0.12	0.96	GER	0.54	-0.03	NZGB 2 3/4 04/15/25	2.91	0.02	7 year	3.17	0.01	
GBP	0.25	0.30	0.66	1.35	GBP	1.27	-0.04	NZGB 4 1/2 04/15/27	3.03	0.01	10 year	3.43	0.02	
JPY	-0.06	0.00	0.06	0.30	JPY	0.09	0.01	NZGB 3 1/2 04/14/33	3.37	0.02	15 year	3.67	0.02	
CAD	0.50	1.17	1.49	2.20	CAD	1.88	0.00	NZGB 2 3/4 04/15/37	3.60	0.02				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:39

Source: Bloomberg

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