

11 June 2018



Events Round-Up

CH: Exports (y/y%), May: 12.6 vs. 11.1 exp.
CH: Imports (y/y%), May: 26.0 vs. 18.0 exp.
GE: Industrial prod. (m/m%), Apr: -1.0 vs. 0.3 exp.
CA: Unemployment rate (%), May: 5.8 vs. 5.8 exp.
CA: Hourly earnings (y/y%), May: 3.9 vs. 3.2 exp.
CH: PPI (y/y%), May: 4.1 vs. 3.9 exp.
CH: CPI (y/y%), May: 1.8 vs. 1.8 exp.

Good Morning

On Friday, market movements were modest ahead of the weekend's G7 leaders' summit.

The market didn't seem to care too much about the lingering US trade tensions with other major countries, even as Trump fired off a salvo of tweets highlighting the unfairness of current trade policy. As if actively seeking to agitate other G7 leaders further ahead of the weekend meeting, Trump suggested that Russia should be brought back into the fold, re-creating the G8 forum before Russia was expelled after Putin annexed Crimea a few years ago.

The low expectations for any meaningful agreement going into the meeting were met, with the weekend press full of the train-wreck it ended up, with Trump withdrawing his support for the G7 communique after Canada's PM Trudeau said that the country "will not be pushed around" and would move forward with retaliatory tariffs. Trump fired back with a barrage of tweets including some personal insults towards Trudeau. US-Canada relations now seem to be on a much worse footing.

Trump has a chance to redeem himself on Tuesday in his historic meeting with North Korean leader Kim Jong Un if progress is made towards de-nuclearisation and better US-North Korea relations..

Back to Friday's markets, there was a slight risk-on feel to it, with pressure on emerging markets seen earlier in the week dissipating. Brazil's Real surged over 5% as the central bank pledged to flood the market with FX swaps and this might have been a factor in improving risk appetite.

The S&P500 ended the day up 0.3%, taking its weekly gain to 1.6%. US 10-year rates traded a 2.89-2.95% range and closed at the high for the overnight session, up 2.5bps for the day.

The NZD ended the week at the NY close Saturday morning at the familiar 0.7030 level. Interestingly the NY closes for the whole week spanned just a 7pip range between 0.7023 to 0.7030, highlighting how stable the NZD was last week.

CAD was the strongest of the majors rising by 0.3%, supported by stronger than expected wages inflation data which turned focus back to the possibility of another Bank of Canada rate hike soon. This took NZD/CAD back below the 0.91 mark. Amongst the commodity currencies, the AUD was the weakest, ending the week at 0.7600 and seeing NZD/AUD up to 0.9250, its strongest close in four weeks.

German industrial production in April came in much weaker than surveyed expectations, as the plunge factory orders data the day before had forewarned. Still, EUR was weaker after the release, falling to 1.1730 before closing the week about 1.1770.

GBP trading remained whippy on Brexit headlines. EU Brexit negotiator Barnier rejected UK PM May's plan to resolve the Irish border issue which saw GBP fall but it recovered after he tweeted that he wasn't rejecting the plan outright. Later in the day Bloomberg reported that May is considering keeping Northern Ireland aligned with EU rules after Brexit as a last resort to avoid a hard border on the island, something that won't go down well domestically.

China's trade surplus shrank in May, owing to much stronger import growth, but its surplus with the US rose. For the first five months of the year, China's trade surplus with the US was \$105b, which was higher than the country's total surplus, something that can only encourage Trump to continue with his obsession of narrowing the US trade deficit with China.

The economic calendar for the day ahead is light but the week itself is a big one. Early in the week focus will turn to the historic US-North Korea leaders' meeting. The key data release is US CPI data released Tuesday night before policy meetings from the Fed, ECB and BoJ towards the end of the week. Another Fed rate hike is a done deal and the falling unemployment rate should give the FOMC more confidence that further rate hikes are required to keep inflation in check. Meanwhile, the ECB is expected to take another inch forward with its policy messaging, this time indicating some next steps in considering the end of its quantitative easing programme.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Manufacturing sales vol. (q/q%)	Q1		1.0	10:45
UK	Trade balance (£m)	Apr	-2,500	-3091	20:30
UK	Industrial production (m/m%)	Apr	0.1	0.1	20:30

Source: Bloomberg, BNZ.

Foreign Exchange						Equities				Commodities**					
Indicative overnight ranges (*)					Other FX		Major Indices				Price				
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.7030	+0.1	0.7009	0.7043	CHF	0.9857	+0.5		S&P 500	2,779	+0.3	14.3	Oil (Brent)	76.46	-1.1
AUD	0.7601	-0.3	0.7561	0.7613	SEK	8.715	+0.2		Dow	25,317	+0.3	19.0	Oil (WTI)	65.74	-0.6
EUR	1.1769	-0.3	1.1727	1.1810	NOK	8.041	-0.2		Nasdaq	7,646	+0.1	23.2	Gold	1298.1	-0.0
GBP	1.3405	-0.1	1.3355	1.3439	HKD	7.846	-0.0		Stoxx 50	3,447	-0.4	-3.9	HRC steel	909.0	+0.2
JPY	109.55	-0.1	109.20	109.73	CNY	6.407	+0.2		FTSE	7,681	-0.3	2.0	CRB	200.0	+0.3
CAD	1.2928	-0.3			SGD	1.336	+0.2		DAX	12,767	-0.3	-0.4	Wheat Chic.	536.8	-1.4
NZD/AUD	0.9249	+0.4			IDR	13,932	+0.4		CAC 40	5,450	-0.4	2.8	Sugar	12.25	+4.4
NZD/EUR	0.5973	+0.3			THB	32.05	+0.1		Nikkei	22,695	-0.6	13.4	Cotton	94.94	+1.3
NZD/GBP	0.5244	+0.1			KRW	1,076	+0.6		Shanghai	3,067	-1.4	-2.9	Coffee	117.3	+1.3
NZD/JPY	77.01	-0.0			TWD	29.81	+0.3		ASX 200	6,045	-0.2	6.5	WIM powder	3125.0	-1.0
NZD/CAD	0.9088	-0.3			PHP	52.84	+0.6		NZX 50	8,938	+0.4	20.2	Australian Futures		
NZ TWI	73.92	+0.3											3 year bond	97.77	0.01
													10 year bond	97.20	0.01
Interest Rates						NZ Government Bonds				NZ Swap Yields					
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last		Last		Last				
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day									
USD	1.75	2.33	2.78	3.01	USD	2.95	0.03	NZGB 6 05/15/21	2.04	-0.03	1 year	2.08	-0.00		
AUD	1.50	2.06	2.12	2.98	AUD	2.78	-0.07	NZGB 5 1/2 04/15/23	2.33	-0.03	2 year	2.24	-0.01		
NZD	1.75	2.01	2.23	3.21	NZD	2.82	-0.03	NZGB 2 3/4 04/15/25	2.62	-0.03	5 year	2.71	-0.02		
EUR	0.00	0.06	-0.12	1.00	GER	0.45	-0.04	NZGB 4 1/2 04/15/27	2.82	-0.03	7 year	2.96	-0.02		
GBP	0.50	0.63	1.02	1.59	GBP	1.39	-0.01	NZGB 3 04/20/29	2.99	-0.04	10 year	3.21	-0.02		
JPY	-0.07	-0.03	0.05	0.27	JPY	0.05	-0.01	NZGB 3 1/2 04/14/33	3.16	-0.05	15 year	3.48	-0.02		
CAD	1.25	1.17	2.27	2.71	CAD	2.32	0.04	NZGB 2 3/4 04/15/37	3.31	-0.06					

* 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: NY close Sat morn

Source: Bloomberg

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