

13 April 2017

Events Round-Up

AU: Westpac consumer conf, Apr: 99.0 vs. 99.7 prev.

CH: CPI (y/y%), Mar: 0.9 vs. 1.0 exp.

CH: PPI (y/y%), Mar: 7.6 vs. 7.5 exp.

UK: ILO unemployment rate (%), Feb: 4.7 vs. 4.7 exp.

CA: Bank of Canada Rate (%), Apr: 0.5 vs. 0.5 exp.

Good Morning

There is not a lot of news to report and trading volumes are light ahead of the Easter holidays. US-Russia relations remain in the spotlight as US Secretary of State Tillerson met with Russian officials in Moscow, with seemingly no agreement over Syria and a general lack of trust about each other's intentions. Before the meeting President Putin said that relations with the US had worsened under Trump. North Korea also remains a focus, with President Xi and Trump conversing via the phone after Trump stepped up his aggressive tone towards North Korea.

With that backdrop, risk appetite continues to sour and the VIX index has reached fresh highs for the year, trading within 15-16, well up from around 12 before the US bombed a Syrian airfield last Friday. The S&P500 is currently down about 0.3%.

While currency movements have been modest, the NZD stands out as the clear underperformer, followed by the AUD. The NZD is down about 0.3-0.7% on all the crosses, with NZD/USD close to its lows for the session just below 0.6915.

NZD/AUD is slightly lower at around 0.9250 even as another big fall in iron ore prices makes the AUD less attractive. The Qingdao measure fell 8.5% to \$68, taking the fall over the past week to 16.5% and the fall over the past month or so to 26%. Meanwhile dairy prices have sustained their recent recovery ahead of ex-tropical Cyclone Cook, which is expected to dump more heavy rain on already sodden paddocks in the North Island.

The CAD has outperformed, as the Bank of Canada removed its easing bias. With the economy expected to return more quickly to full capacity, Governor Poloz said that a rate cut was "not on the table at this time" and "we're decidedly neutral". On a day where currency movements (other NZD) have been modest, the CAD is about 0.2% stronger against the USD and NZD/CAD is down 0.7%, close to 0.92.

There is nothing to add on the other currencies, with EUR, GBP and EUR all pretty flat against the USD.

Bond market movements are also modest. After closing a smidgeon below 2.30% yesterday on unrounded figures for the first time since late-November, the US 10-year Treasury yield has spent much of the trading session in a tight 3bp range and currently sits at 2.29%. From a technical perspective, the market is vulnerable towards gapping a lot lower towards 2% now on any further risk-off sentiment. We'll see.

In France, the latest polls show little change, after fair-left candidate Melenchon's recent storming run and this has helped the France-Germany spread narrow by a few basis points. Support for the top four candidates is separated by only six percentage points. A bad scenario would be far-left (Melenchon) and far-right (Le Pen) candidates winning the first round of voting, making the second round vote a choice between two highly unappealing candidates for centrist voters. EUR implied volatility continues to nudge higher ahead of the vote, now only ten days away.

In local trading yesterday, the swap curve showed a modest flattening bias, with traders not keen to take the 2-swap rate lower after its recent downward run, closing 1bp higher at 2.27%. Meanwhile global forces kept downward pressure on the longer end of the curve, with the 10-year rate down 1.5bps to 3.30%, its lowest close this year.

However, there was more price action in the government bond market, with the 10-year rate moving sub-3% at one stage and ending the day down 5.5bps to 3.005%. This reflected the NZ bond market playing catch-up with the downward draft in yields facing the Australian market. A scarcity of supply of NZ bonds and upcoming large coupon payments supported the move lower.

Between now and the next trading day on Tuesday there is an abundance of economic data releases. In the local trading session today, NZ will see REINZ housing market data, the manufacturing PMI and food prices, while the Australian employment report and RBA financial stability review will be of some interest. Towards the end of the day, China releases trade data.

Over the holiday period the key releases are US CPI and retail sales data along with more Chinese data including Q1 GDP.

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Coming Up

	<i>Period</i>	<i>Cons.</i>	<i>Prev.</i>	<i>NZT</i>
NZ REINZ house sales, y/y%	Mar		-14.2	09:30
NZ Manufacturing PMI	Mar		55.2	10:30
NZ Food prices m/m%	Mar		0.2	10:45
AU RBA Financial Stability Review				13:30
AU Employment change ('000)	Mar	20	-6.4	13:30
AU Unemployment rate (%)	Mar	5.9	5.9	13:30
NZ New Zealand Plans to Sell 100m 2035 I/L Bonds				14:05
GE CPI EU Harmonized, y/y%	Mar F	1.5	1.5	18:00
CH Imports, y/y%	Mar	15.5	38.1	
CH Exports, y/y%	Mar	4.3	-1.3	
CH Trade Balance, USDBn	Mar	12.5	-9.2	
US PPI Final Demand, y/y%	Mar	2.4	2.2	00:30
US PPI Ex Food and Energy, y/y%	Mar	1.8	1.5	00:30
US Initial Jobless Claims		245	234	00:30
US U. of Mich. Sentiment	Apr P	96.5	96.9	02:00
US U. of Mich. 5-10 Yr Inflation	Apr P		2.4	02:00
Friday				
JN Industrial Production MoM	Feb F		2.0	16:30
CH New Yuan Loans CNY	Mar	1200	1170	
CH Aggregate Financing CNY	Mar	1500	1150	
US CPI YoY	Mar	2.6	2.7	00:30
US CPI Ex Food and Energy YoY	Mar	2.3	2.2	00:30
US Retail Sales Advance MoM	Mar	-0.2	0.1	00:30
US Retail Sales Ex Auto and Gas	Mar	0.3	0.2	00:30
Monday				
CH Retail sales, y/y%	Mar	9.7	10.9	14:00
CH Fixed assets, y/y%	Mar	8.8	8.9	14:00
CH Industrial Production, y/y%	Mar	6.3	6.0	14:00
CH GDP, y/y%	Q1	6.8	6.8	14:00
US NAHB housing index	Apr		71	02:00

Source: Bloomberg, BNZ

Foreign Exchange						Equities				Commodities**						
Indicative overnight ranges (*)					Other FX			Major Indices				Price				
	Last	% Day	Low	High		Last	% Day			Last	% Day	% Year		Last	Net Day	
NZD	0.6912	-0.7	0.6912	0.6952	CHF	1.0085	+0.1		S&P 500	2,345	-0.4	13.7		Oil (Brent)	55.64	-1.0
AUD	0.7478	-0.3	0.7473	0.7506	SEK	9.036	-0.3		Dow	20,590	-0.3	16.2		Oil (WTI)	52.92	-0.9
EUR	1.0598	-0.1	1.0589	1.0624	NOK	8.596	-0.0		Nasdaq	5,841	-0.4	19.9		Gold	1274.1	+0.2
GBP	1.2496	+0.0	1.2480	1.2521	HKD	7.771	+0.0		Stoxx 50	3,469	-0.0	17.9		HRC steel	655.0	+0.0
JPY	109.72	+0.1	109.39	109.87	CNY	6.892	-0.0		FTSE	7,349	-0.2	17.7		CRB	187.4	-0.3
CAD	1.3316	-0.1			SGD	1.401	-0.2		DAX	12,155	+0.1	24.5		Wheat Chic.	446.3	-0.3
NZD/AUD	0.9243	-0.4			IDR	13,275	-0.0		CAC 40	5,101	-0.1	17.4		Sugar	16.70	-0.1
NZD/EUR	0.6522	-0.6			THB	34.47	-0.2		Nikkei	18,553	-1.0	13.3		Cotton	74.73	-0.4
NZD/GBP	0.5531	-0.7			KRW	1,142	-0.4		Shanghai	3,274	-0.5	6.8		Coffee	140.6	-1.3
NZD/JPY	75.84	-0.6			TWD	30.53	-0.3		ASX 200	5,934	+0.1	17.4		WM powder	3140.0	+0.0
NZ TWI	75.62	-0.6			PHP	49.48	-0.2		NZX 50	7,252	-0.0	7.0		Australian Futures		
														3 year bond	98.2	-0.01
														10 year bond	97.47	0.00
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	1.00	1.16	1.56	2.26	USD	2.29	-0.00	NZGB 3 04/15/20	2.245	-0.00	1 year	2.068	+0.01			
AUD	1.50	1.77	1.83	2.82	AUD	2.50	-0.03	NZGB 6 05/15/21	2.370	-0.01	2 year	2.275	+0.01			
NZD	1.75	1.96	2.28	3.30	NZD	3.01	-0.06	NZGB 5 1/2 04/15/23	2.670	-0.02	5 year	2.813	+0.00			
EUR	0.00	0.06	-0.15	0.70	GER	0.20	-0.01	NZGB 2 3/4 04/15/25	2.930	-0.04	7 year	3.065	+0.00			
GBP	0.25	0.34	0.55	1.08	GBP	1.05	-0.00	NZGB 4 1/2 04/15/27	3.005	-0.06	10 year	3.303	-0.01			
JPY	-0.04	0.02	0.04	0.22	JPY	0.03	-0.01	NZGB 3 1/2 04/14/33	3.335	-0.06	15 year	3.593	-0.01			
CAD	0.50	1.17	1.12	1.82	CAD	1.55	-0.00									

* 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 06:55

Source: Bloomberg

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