

13 June 2017

## Events Round-Up

NZ: Card spending retail (m/m%), May: -0.4 vs. 0.2 exp.

## Good Morning

With little economic data to speak of, politics and central bankers have driven currencies, which sees GBP remaining under pressure and the CAD leading the charge.

While GBP traded in a tight range during the Asian trading session and, if anything, was ticking higher, the European open saw significant selling pressure re-emerge and it has been a steady fall to a fresh low of 1.2640. Focus has turned to the unstable nature of the new government and the precarious position of PM May, an unfriendly backdrop for spending and investment. There has been some optimistic talk of a "soft" Brexit, with the UK possibly adopting the Norway-style model, rather than a "hard" Brexit but it is too early to speculate what the end position will be. Relative to the status quo, neither model has much merit. Uncertainty about the UK's future will remain for an extended period. NZD/GBP is trading close to 0.57, a three-month high.

At the other end of the leaderboard, the Canadian dollar shot up after Senior Deputy Governor Wilkins suggested that the BoC is looking at the possibility of raising interest rates. "As growth continues and, ideally, broadens further, Governing Council will be assessing whether all of the considerable monetary policy stimulus presently in place is still required," Wilkins said in speech. USD/CAD is currently down 1% to 1.3340, while NZD/CAD is down 1.1% to 0.9605.

EUR is relatively flat at around 1.12. ECB executive board member Coeure told Bloomberg in an interview that the ECB was moving very slowly toward an exit from bond buying, though inflation is still too subdued to discuss tapering, adding "we're not there yet". There was little currency reaction to the French Parliamentary elections,

where newly election President Macron's centrist party performed well, likely giving him a strong mandate to implement his policies. There was more reaction in the bond market, where French 10-year yields fell by 5bps to 0.59%.

Somewhat strangely, UK bond yields continue to fall post-election, with the 10-year rate down 4bps to 0.96%. This is despite the uncertainty for the UK ahead and the government likely to adopt less fiscal austerity. US rates were tightly bound ahead of the key event risk this week, the FOMC announcement on Thursday morning. The 10-year rate is up by less than 1bp to 2.21%. Until that announcement, we expect little change in rates.

The NZD is trading around the level of the NZ close yesterday at around 0.72. There was a swoon down to around 0.7175 a couple of hours after the local close for no obvious reason, but since then the currency has traded in a very tight 15pip range. The AUD has slightly outperformed, taking NZD/AUD down to 0.9560.

With the Australian holiday yesterday, the local rates market was quiet, with little change in yields. The market is likely to continue to tread water for another couple of days until Thursday, when the FOMC announcement will be keenly awaited. NZ Q1 GDP data are released the same day.

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## Coming Up

	Period	Cons.	Prev.	NZT
AU NAB business conditions	May		14	13:30
UK CPI (y/y%)	May	2.7	2.7	20:30
UK CPI Core (y/y%)	May	2.3	2.4	20:30
GE ZEW survey expectations	Jun		20.6	21:00
US NFIB small business optimism	May	105.0	104.5	22:00
US PPI final demand (y/y%)	May	2.3	2.5	00:30
US PPI ex food and energy (y/y%)	May	2.0	1.9	00:30

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	0.7199	-0.2	0.7172	0.7207	CHF	0.9691	-0.0	S&P 500	2,423	-0.4	15.6	Oil (Brent)	48.30	+0.3
AUD	0.7532	+0.1	0.7524	0.7547	SEK	8.740	+0.3	Dow	21,208	-0.3	18.7	Oil (WTI)	46.09	+0.6
EUR	1.1200	+0.0	1.1192	1.1232	NOK	8.470	-0.4	Nasdaq	6,164	-0.7	25.9	Gold	1266.5	-0.2
GBP	1.2649	-0.8	1.2639	1.2769	HKD	7.800	+0.0	Stoxx 50	3,544	-1.2	21.7	HRC steel	600.0	+1.5
JPY	109.83	-0.4	109.63	110.32	CNY	6.798	+0.0	FTSE	7,512	-0.2	22.8	CRB	176.2	-0.4
CAD	1.3339	-1.0			SGD	1.385	+0.0	DAX	12,690	-1.0	29.0	Wheat Chic.	449.0	-2.4
NZD/AUD	0.9558	-0.4			IDR	13,308	+0.1	CAC 40	5,241	-0.7	21.7	Sugar	14.02	-1.7
NZD/EUR	0.6428	-0.2			THB	34.06	+0.0	Nikkei	19,909	-0.5	24.3	Cotton	75.13	-0.8
NZD/GBP	0.5691	+0.5			KRW	1,127	+0.4	Shanghai	3,140	-0.6	10.8	Coffee	127.6	+0.8
NZD/JPY	79.07	-0.6			TWD	30.19	+0.2	ASX 200	5,678	+0.0	6.9	WM powder	3120.0	-0.8
NZ TWI	77.75	-0.2			PHP	49.59	+0.1	NZX 50	7,433	-0.0	7.3	<b>Australian Futures</b>		
												3 year bond	98.23	-0.02
												10 year bond	97.55	-0.01
Interest Rates														
	Rates				Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ Swap Yields		
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last			Last		
USD	1.00	1.24	1.55	2.16	USD	2.21	0.01	NZGB 3 04/15/20	2.09	0.00	1 year	2.01	-0.00	
AUD	1.50	1.73	1.79	2.67	AUD	2.40	0.00	NZGB 6 05/15/21	2.19	0.01	2 year	2.20	-0.00	
NZD	1.75	1.97	2.20	3.17	NZD	2.78	0.02	NZGB 5 1/2 04/15/23	2.47	0.01	5 year	2.70	0.00	
EUR	0.00	0.06	-0.18	0.75	GER	0.25	-0.02	NZGB 2 3/4 04/15/25	2.68	0.01	7 year	2.93	0.01	
GBP	0.25	0.29	0.46	1.05	GBP	0.97	-0.04	NZGB 4 1/2 04/15/27	2.78	0.02	10 year	3.17	0.01	
JPY	-0.05	-0.01	0.05	0.25	JPY	0.06	0.00	NZGB 3 1/2 04/14/33	3.08	0.02	15 year	3.43	0.01	
CAD	0.50	1.17	1.15	1.79	CAD	1.47	0.05							

\* 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 06:40

Source: Bloomberg

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