

# Research Markets Today

13 May 2024

## Events Round-Up

NZ: Manufacturing PMI, Apr: 48.9 vs. 46.8 prev.  
 UK: GDP (q/q%), Q1: 0.6 vs. 0.4 exp.  
 UK: Industrial production (m/m%), Mar: 0.2 vs. -0.5 exp.  
 CA: Unemployment rate (%), Apr: 6.1 vs. 6.2 exp.  
 US: U. of Mich. consumer sent., May: 67.4 vs. 76.2 exp.  
 US: U. of Mich. 5-10y inflation exp., May: 3.1 vs. 3.0 exp.  
 CH: PPI (y/y%), Apr: -2.5 vs. -2.3 exp.  
 CH: CPI (y/y%), Apr: 0.3 vs. 0.2 exp.

## Good Morning

Weaker than expected US consumer confidence data and higher treasury yields, following a rise in inflation expectations, contributed to the S&P retracing from earlier gains to close modestly higher on Friday. Across the Atlantic, UK and European stocks closed at record levels, with the former helped by stronger than expected GDP data. The Hang Seng – which is the best performing global index in May - rallied 1.5% following reports of a tax waiver plan for China domiciled investors that access Hong Kong shares via Stock Connect.

The University of Michigan's consumer sentiment index fell to 67.4 in May, well below the consensus estimate of 76.2. Although there has been a change in methodology, it is not thought to have impacted the output. Consumers expressed greater concern about the labour market and interest rates. Meanwhile, consumers' expectations for five-to-10 years inflation increased to 3.1%, from 3.0%.

The UK economy exited the technical recession from the second half of 2023, and expanded 0.6% in Q1, beating expectations. The rebound in activity has been flagged by the recovery in the PMIs in recent months. The data had little impact on market pricing for Bank of England monetary policy. There is 15bps priced for the June meeting and a full 25bps cut by August. The Bank's chief economist appeared to caution against expectations for a near-term cut saying a heavy focus on a June rate cut would be 'ill advised'.

US policy makers also cautioned about expectations for Fed easing. Dallas Fed President Logan pointed to disappointing inflation data as a reason for it being too early to consider lowering borrowing costs. Fed Governor Michelle Bowman, typically thought to be on the more

hawkish end of the policy spectrum, said she doesn't expect it will be appropriate for the Fed to cut interest rates in 2024. There is about 40bps of Fed rate cuts priced for this year, down from 45bps, after the pickup in inflation expectations. 2-year treasury yields increased 5bps to 4.87% while 10-year yields ended 4bps higher at 4.50%.

The US dollar was broadly stable into the weekly close. The Canadian dollar outperformed within G10 after labour market data easily beat the highest estimate on the Bloomberg poll, reducing the chance of a Bank of Canada rate cut next month. Major currencies were little changed. The latest CFTC data revealed speculative accounts have significantly trimmed yen shorts, likely caused by the sharp appreciation, after the suspected intervention by Japanese authorities. NZD/USD was confined to a narrow range on Friday night and closed little changed.

NZ government bonds ended the local session on Friday little changed. 10-year bond yields dipped 1bp to 4.73%. The ultra-long end of the curve remains heavy and the 10y/30y spread has steepened to 30bps. Interest rate swaps outperformed government bonds – 10-year rates declined 3bps to 4.67%. Support has emerged for 10-year asset swap spreads at the base of the 10/25bps range which has contained price action in recent months.

Australian 10-year government bond futures are ~4bps higher in yield, since the local close on Friday, suggesting an upward bias for NZ yields to start the week.

It is a busy domestic economic calendar today. The services sector PMI, which fell sharply into contractionary territory in March, will be closely monitored. In addition, selected price indicators for April and Q2 inflation expectations will be released. Aside from NAB business conditions in Australia, it is a quiet international calendar.

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## Coming Up

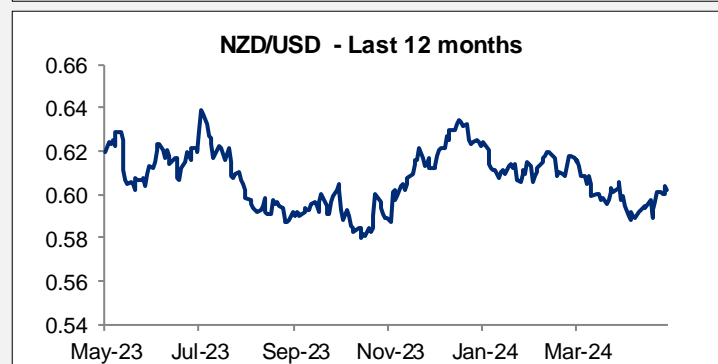
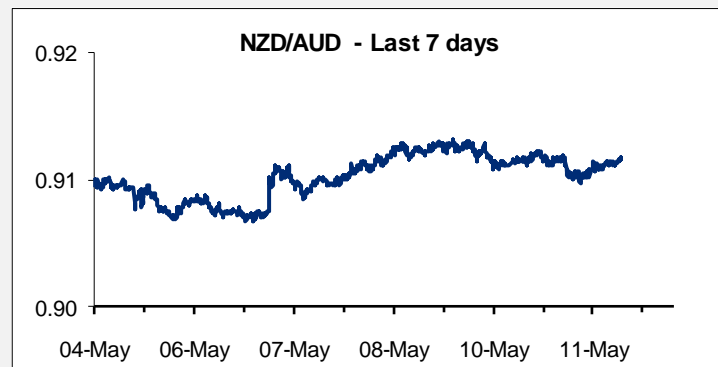
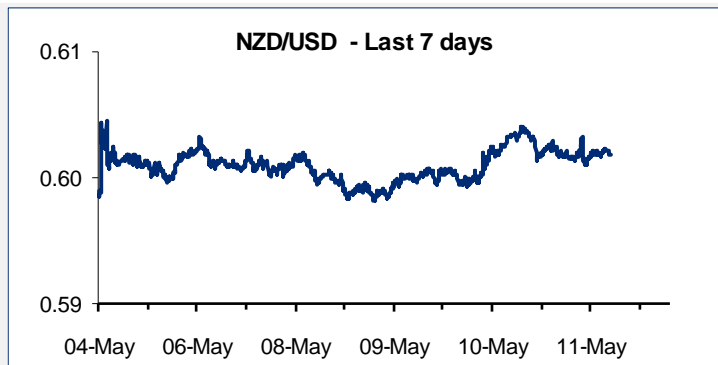
		Period	Cons.	Prev.	NZT
NZ	Performance Services Index	Apr	47.5	10:30	
NZ	Food Prices (m/m%)	Apr	-0.5	10:45	
AU	NAB Business Conditions	Apr	9	13:30	
NZ	2Yr Inflation Expectation	2Q	2.5	15:00	

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	0.6019	-0.3	0.6009	0.6035	CHF	0.9065	+0.1	S&P 500	5,223	+0.2	26.6	Oil (Brent)	82.79	-1.3			
AUD	0.6604	-0.2	0.6596	0.6622	SEK	10.842	-0.1	Dow	39,513	+0.3	18.7	Oil (WTI)	78.26	-1.3			
EUR	1.0770	-0.1	1.0760	1.0790	NOK	10.843	-0.1	Nasdaq	16,341	-0.0	33.0	Gold	2375.0	+1.5			
GBP	1.2524	+0.0	1.2503	1.2541	HKD	7.814	-0.0	Stoxx 50	5,085	+0.6	17.8	HRC steel	780.0	-0.6			
JPY	155.78	+0.2	155.60	155.90	CNY	7.227	+0.1	FTSE	8,434	+0.6	8.8	CRB	289.5	-0.2			
CAD	1.3672	-0.0			SGD	1.355	+0.2	DAX	18,773	+0.5	18.0	Wheat Chic.	663.5	+4.1			
NZD/AUD	0.9115	+0.0			IDR	16,047	+0.0	CAC 40	8,219	+0.4	10.8	Sugar	19.30	-1.4			
NZD/EUR	0.5589	-0.1			THB	36.77	+0.1	Nikkei	38,229	+0.4	30.1	Cotton	77.31	-1.6			
NZD/GBP	0.4806	-0.2			KRW	1,368	-0.1	Shanghai	3,155	+0.0	-3.6	Coffee	201.2	-0.1			
NZD/JPY	93.76	-0.0			TWD	32.42	-0.1	ASX 200	7,749	+0.4	6.8	WM powder	3135	-0.2			
NZD/CAD	0.8229	-0.3			PHP	57.42	+0.1	NZX 50	11,755	+0.1	-1.5	<b>Australian Futures</b>					
NZ TWI	71.02	-0.1						VIX Index	12.55	-1.1	-26.3	3 year bond	96.04	0.02			
<b>Interest Rates</b>												10 year bond			95.63	-0.02	
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	5.59	4.78	4.13	USD	4.50	0.04	15-May-26	4.82	-0.01	BKBM 1-mth	5.60	0.00				
AUD	4.35	4.38	4.27	4.59	AUD	4.32	-0.03	15-Apr-27	4.66	-0.01	BKBM 3-mth	5.63	0.00				
NZD	5.50	5.63	5.00	4.60	NZD	4.73	-0.01	15-May-28	4.61	-0.01	1 year	5.41	-0.02				
EUR	4.00	3.81	3.31	2.80	GER	2.52	0.02	20-Apr-29	4.58	-0.01	2 year	5.00	-0.04				
GBP	5.25	5.30	4.54	3.88	GBP	4.17	0.02	15-May-30	4.59	-0.01	3 year	4.74	-0.04				
JPY	0.08	-0.03	0.38	0.99	JPY	0.91	-0.01	15-May-31	4.63	-0.01	5 year	4.53	-0.04				
CAD	5.00	5.27	4.63	4.00	CAD	3.70	0.07	15-May-32	4.67	-0.01	7 year	4.53	-0.03				
						<b>NZ Inflation-Indexed Bonds</b>			14-Apr-33			10 year			4.60	-0.03	
						Sep-30			15-May-34			15 year			4.75	-0.03	
						2.28			15-May-35								
						-0.02			15-May-37								
						Sep-35			15-May-41								
						2.60			15-May-51								
						-0.02			15-May-54								
						Sep-40											
						2.79											
						-0.02											
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer																	
Rates at NY close																	
Source: Bloomberg																	

**NZD exchange rates**

11/05/2024	NY close	Prev. NY close
USD	0.6019	#N/A/N/A
GBP	0.4806	#VALUE!
AUD	0.9115	#VALUE!
EUR	0.5589	#VALUE!
JPY	93.76	#VALUE!
CAD	0.8229	#VALUE!
CHF	0.5457	#VALUE!
DKK	4.1697	#VALUE!
FJD	1.3669	#VALUE!
HKD	4.7038	#VALUE!
INR	50.27	#VALUE!
NOK	6.5276	#VALUE!
PKR	166.24	#VALUE!
PHP	34.57	#VALUE!
PGK	2.3030	#VALUE!
SEK	6.5270	#VALUE!
SGD	0.8155	#VALUE!
CNY	4.3506	#VALUE!
THB	22.11	#VALUE!
TOP	1.4069	#VALUE!
VUV	72.80	#VALUE!
WST	1.6442	1.6564
XPF	66.97	#VALUE!
ZAR	11.1045	#VALUE!



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.14	0.10
3 Months	-0.58	0.40
6 Months	-0.41	0.59
9 Months	-1.21	1.31
1 Year	-0.76	2.22

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.86	-8.23
3 Months	-24.99	-23.06
6 Months	-43.75	-40.85
9 Months	-59.00	-52.75
1 Year	-68.67	-60.31

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