

Research Markets Today

14 May 2024

Events Round-Up

NZ: Performance of services index, Apr: 47.1 vs. 47.2 prev.

NZ: Food prices (y/y%), Apr: 0.8 vs. 0.7 prev.

AU: NAB business conditions, Apr: 7 vs. 9 prev.

NZ: RBNZ 2yr inflation expect. (%), Q2: 2.33 vs. 2.50 prev.

Good Morning

It has been a typically quiet start to the week with little newsflow to drive markets. Global equity markets are flat, US Treasury yields are down slightly, and currency movements have been modest. The NZD is flat, consolidating just over the 0.60 mark.

Trading conditions have been quiet, with the market focused on the US CPI release on Wednesday night. The figures could have a significant impact on the market on any small deviation from the consensus, given the heightened sensitivity of markets to inflation and the outlook for Fed policy.

Overnight there have been no notable economic releases. The NY Fed's survey of consumer inflation expectations showed a lift in the one-year ahead rate to 3.3% after hovering near 3% over the past four months, consistent with the lift in the University of Michigan survey on Friday. The data tend to be contemporaneously correlated with actual inflation, which recently lifted, and the data conveys little information about the future.

The US 10-year Treasury yield continues to consolidate just under the 4.5% mark, currently down slightly from Friday's close at 4.48%. The 2-year rate is also down slightly to 4.85%. European yields are little changed. Equity markets don't show much movement either, with the US S&P500 flat and the Euro Stoxx 600 index unchanged (up 0.02% to be precise).

Currency markets have slightly more of a pulse, but not much more, with all movements in the majors against the USD contained to within plus or minus 0.3%. The NZD has traded about a 30pip range and is currently flat near 0.6020, consolidating the recent move to just over 0.60. The AUD is slightly higher, just over 0.66. There was little reaction to news that China would soon launch 1 trillion yuan of ultra long-dated government bonds, a step to delivering on the 2024 Budget, which included increased

spending. However, this news offset the negative data release over the weekend showing weaker money and credit growth, with the first drop in monthly new aggregate social financing since 2005.

USD/JPY continues to push higher, up 0.3% to 156.20 despite JGB yields pushing up – yesterday the 2-year rate rose to a fresh 15-year high of 0.32%, the 10-year rate rose to 0.93%, just shy of the high late last year, and the 30-year rate reached 2% for the first time since 2011. The BoJ reduced the amount of bonds bought at its regular operation for the first time this year, by ¥50b compared to last month, although within the planned range set out at the start of the month. Less QE, higher bond yields and Governor Ueda's more hawkish comments last week have seemingly done nothing over recent days stem selling pressure in the yen.

GBP is modestly higher at 1.2560, recovering last week's loss where the market fully anticipated the more dovish BoE policy update, seeing NZD/GBP slip back below 0.48.

In the local rates market, yields opened higher on global forces, before slipping in the afternoon, encouraged by lower NZ inflation expectations (see below). NZGB yields were down 1bp across the curve while swap rates were down 1-2bps. The various NZ economic data released continued the recent theme of an economy going backwards and inflation pressure receding. The performance of services index fell to a more than two-year low of 47.1. The RBNZ 2-year inflation expectations survey figure continued to trend lower, falling 17bps to a fresh 2½-year low of 2.33%. The monthly pricing indicators didn't change our forecast of Q2 CPI rising by 0.6% q/q, which would take annual inflation down to a three-year low of 3.6%.

In the day ahead, NZ card spending and migration data are released. Tonight, the key releases will be UK labour market reports and US PPI data, the latter more important this monthly cycle as it comes ahead of the US CPI report on Wednesday night. Both releases could influence the timing of BoE and Fed rate cuts this year. Fed Chair Powell will be speaking at a banking event in the Netherlands, with no associated text but there will be some Q&A.

jason.k.wong@bnz.co.nz

Coming Up

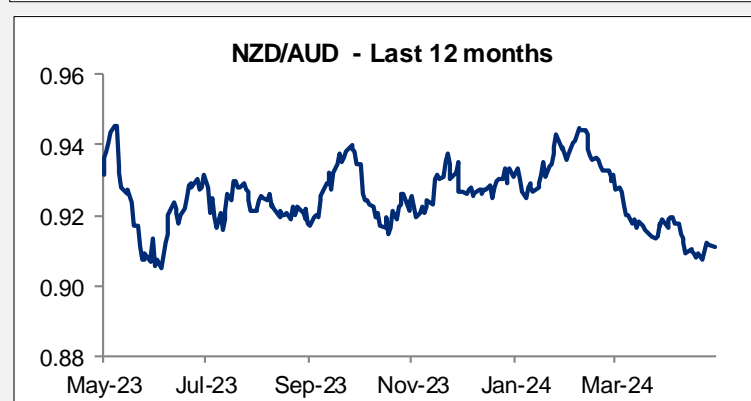
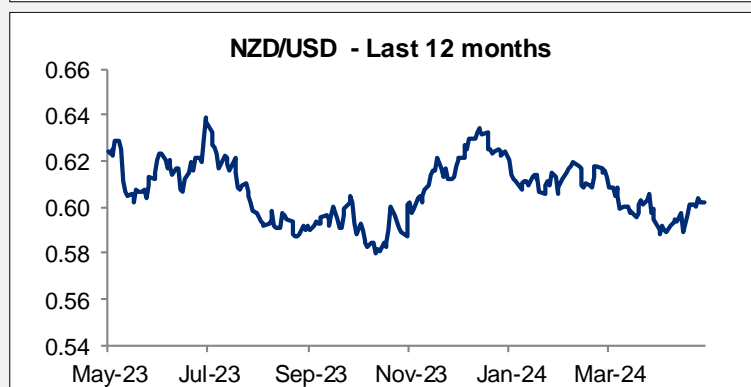
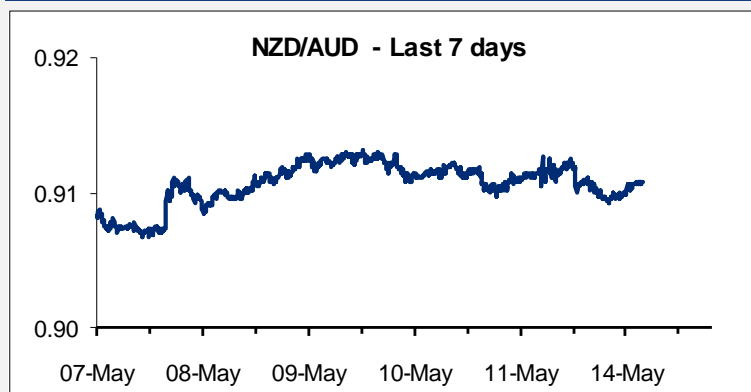
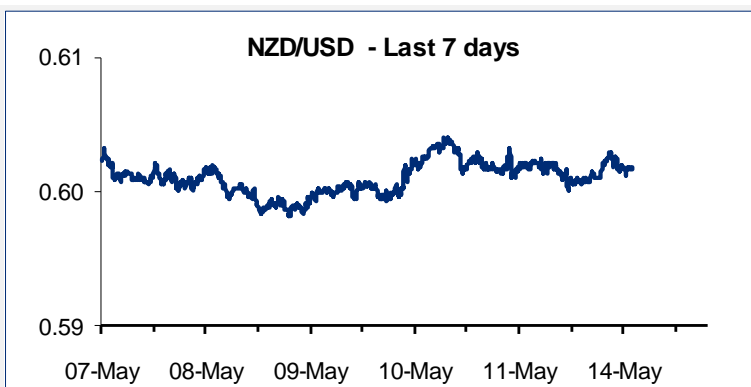
		Period	Cons.	Prev.	NZT
NZ	Card spending total (m/m%)	Apr	0.1	10:45	
NZ	Net migration	Mar	7630	10:45	
UK	Unemployment rate (%)	Mar	4.3	4.2	18:00
UK	Wly earnings ex bonus (3m/y%)	Mar	5.9	6.0	18:00
GE	ZEW survey expectations	May	46.0	42.9	21:00
US	NFIB small business optimism	Apr	88.2	88.5	22:00
US	PPI ex food and energy (m/m%)	Apr	0.2	0.2	00:30
US	PPI ex food and energy (y/y%)	Apr	2.3	2.4	00:30
EC	Fed Chair Powell, ECB's Knot Speak				02:00

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	Last	% Day	% Year		Last	Net Day		
NZD	0.6019	-0.0	0.6006	0.6031	CHF	0.9079	+0.2	S&P 500	5,222	-0.0	26.6	Oil (Brent)	83.47	+0.8
AUD	0.6609	+0.1	0.6596	0.6629	SEK	10.838	-0.0	Dow	39,446	-0.2	18.5	Oil (WTI)	79.22	+1.2
EUR	1.0791	+0.2	1.0769	1.0807	NOK	10.811	-0.3	Nasdaq	16,379	+0.2	33.3	Gold	2342.5	-1.4
GBP	1.2560	+0.3	1.2518	1.2569	HKD	7.812	-0.0	Stoxx 50	5,079	-0.1	17.6	HRC steel	780.0	+0.0
JPY	156.20	+0.3	155.69	156.25	CNY	7.233	+0.1	FTSE	8,415	-0.2	8.5	CRB	289.5	-0.2
CAD	1.3670	-0.0			SGD	1.353	-0.1	DAX	18,742	-0.2	17.8	Wheat Chic.	686.8	+3.5
NZD/AUD	0.9107	-0.1			IDR	16,081	+0.2	CAC 40	8,209	-0.1	10.7	Sugar	18.63	-3.5
NZD/EUR	0.5578	-0.2			THB	36.79	+0.1	Nikkei	38,179	-0.1	29.9	Cotton	77.63	+0.4
NZD/GBP	0.4792	-0.3			KRW	1,368	+0.0	Shanghai	3,148	-0.2	-3.8	Coffee	196.1	-2.5
NZD/JPY	94.02	+0.2			TWD	32.42	-0.0	ASX 200	7,750	+0.0	6.8	WM powder	3155	+0.6
NZD/CAD	0.8228	-0.0			PHP	57.85	+0.8	NZX 50	11,652	-0.9	-2.4	Australian Futures		
NZ TWI	71.01	-0.0						VIX Index	13.55	+8.0	-20.4	3 year bond	96.04	0.00
												10 year bond	95.67	0.04
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields				
Rates		Swap Yields		Benchmark 10 Yr Bonds										
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg		
USD	5.50	5.58	4.77	4.11	USD	4.48	-0.02	15-May-26	4.81	-0.01	BKBM 1-mth	5.60	0.00	
AUD	4.35	4.37	4.23	4.54	AUD	4.33	0.01	15-Apr-27	4.66	-0.01	BKBM 3-mth	5.63	-0.00	
NZD	5.50	5.63	4.98	4.59	NZD	4.72	-0.01	15-May-28	4.61	-0.01	1 year	5.40	-0.01	
EUR	4.00	3.82	3.30	2.78	GER	2.51	-0.01	20-Apr-29	4.57	-0.01	2 year	4.98	-0.02	
GBP	5.25	5.30	4.55	3.88	GBP	4.17	0.01	15-May-30	4.59	-0.01	3 year	4.72	-0.02	
JPY	0.08	-0.03	0.40	1.02	JPY	0.94	0.03	15-May-31	4.62	-0.01	5 year	4.51	-0.02	
CAD	5.00	5.27	4.63	3.99	CAD	3.68	-0.01	15-May-32	4.66	-0.01	7 year	4.51	-0.01	
								14-Apr-33	4.68	-0.01	10 year	4.59	-0.01	
								15-May-34	4.72	-0.01	15 year	4.74	-0.01	
								15-May-35	4.78	-0.01				
								15-May-37	4.89	-0.01				
								15-May-41	5.02	-0.01				
								15-May-51	5.02	-0.01				
								15-May-54	5.06	-0.01				
* These are indicative r 06:52 please confirm rates with your BNZ dealer						NZ Inflation-Indexed Bonds								
					Sep-30	2.28	0.00							
					Sep-35	2.60	0.00							
					Sep-40	2.79	0.00							
Rates are as of: NZT														
Source: Bloomberg														

NZD exchange rates

14/05/2024	6:52 am	Prev. NY close
USD	0.6019	0.6020
GBP	0.4792	0.4806
AUD	0.9107	0.9116
EUR	0.5578	0.5589
JPY	94.02	93.78
CAD	0.8228	0.8231
CHF	0.5465	0.5457
DKK	4.1613	4.1697
FJD	1.3667	1.3669
HKD	4.7019	4.7038
INR	50.28	50.27
NOK	6.5071	6.5276
PKR	166.21	167.54
PHP	34.83	34.57
PGK	2.2938	2.3030
SEK	6.5231	6.5270
SGD	0.8146	0.8155
CNY	4.3538	4.3506
THB	22.16	22.11
TOP	1.3985	1.4069
VUV	72.31	72.80
WST	1.6498	1.6442
XPF	66.85	66.97
ZAR	11.0524	11.1045



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.24	0.17
3 Months	-0.33	0.17
6 Months	-0.29	0.71
9 Months	-0.35	1.65
1 Year	-0.07	2.93

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.56	-8.69
3 Months	-24.73	-23.54
6 Months	-44.00	-41.26
9 Months	-59.15	-54.10
1 Year	-68.72	-60.91

Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Stuart Ritson

Senior Interest Rate Strategist
+64 9 9248601

Mike Jones

BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington

Level 2, BNZ Place
1 Whitmore Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.