

Research Markets Today

16 May 2024

Events Round-Up

CH: 1yr med.-term lending rate (%), May: 2.5 vs. 2.5 exp.
 AU: Wage price index (q/q%), Q1: 0.8 vs. 0.9 exp.
 AU: Wage price index (y/y%), Q1: 4.1 vs. 4.2 exp.
 EC: GDP (q/q%), Q1: 0.3 vs. 0.3 exp.
 EC: Industrial production (m/m%), Mar: 0.6 vs. 0.4 exp.
 US: Empire manufacturing, May: -15.6 vs. -10 exp.
 US: CPI (m/m%), Apr: 0.3 vs. 0.4 exp.
 US: CPI ex food, energy (m/m%), Apr: 0.3 vs. 0.3 exp.
 US: CPI (y/y%), Apr: 3.4 vs. 3.4 exp.
 US: CPI ex food, energy (y/y%), Apr: 3.6 vs. 3.6 exp.
 US: Retail sales (m/m%), Apr: 0.0 vs. 0.4 exp.
 US: Retail sales ex auto, gas (m/m%), Apr: -0.1 vs. 0.1 exp.
 US: Retail sales control grp (m/m%), Apr: -0.3 vs. 0.1 exp.
 US: NAHB housing market index, May: 45 vs. 51 exp.

Good Morning

Global asset markets made strong gains following the widely anticipated US CPI data, which along with softer than expected retail sales, contributed to markets bringing forward expectations of when the Federal Reserve will begin its easing cycle. The S&P rallied close to 1% which took the index to a fresh all-time high above 5300 and European stocks also closed at record levels. US treasury yields moved sharply lower, and the US dollar was significantly weaker.

US headline CPI increased 0.3% in April, which was below consensus expectations of a 0.4% advance, and took the annual rate to 3.4%. Core inflation, which has surprised to the upside on three consecutive months through Q1, rose in line with median estimate of 0.3% m/m. The annual core rate was 3.6% which is the slowest pace since April 2021.

US retail sales were weaker than expected in April. Core retail sales fell 0.1%, below expectations for a 0.1% gain, and there was a downward revision to previous month suggesting consumer spending is weakening. The retail control measure fell by 0.3%, also weaker than the consensus, which adds to recent evidence of a slowing in the US economy.

The smallest increase in core CPI since December came as a relief to markets, after the recent elevated prints, and will provide the Fed with additional confidence monetary

policy is tight enough to eventually bring inflation back to its 2% target. The market brought forward Fed rate cut expectations with 25bps fully priced for September and close to 50bps of easing priced by the end of the year, up from 43bps ahead of the data.

The US economic data fuelled a rally across global bond markets. 2-year treasury yields declined 9bps to 4.72% and are now 30bps lower since the start of the month. It was a largely parallel curve move - 10-year treasury yields declined 9bps to 4.35%. European bonds also closed lower in yield with 10-year bund yields declining 13bps to 2.42%.

The US dollar made broad-based losses. The dollar index fell 0.7% to its lowest level a month. In the majors, the euro advanced 0.5% against the dollar though underperformed amongst G10 currencies. The yen gained close to 1% reflecting its sensitivity to treasury yields.

After trading higher through the Asian session yesterday, NZD/USD extended its move higher overnight. It was among the best performing G10 currencies and pushed above 0.6100, a gain of more than 1%. The NZD was higher on the major cross rates with NZD/EUR and NZD/GBP both reaching the highest levels since March. NZD/AUD traded steadily higher towards 0.9150.

NZ government bond yields declined 3bps in a parallel curve shift in the local session yesterday. 10-year bonds closed at 4.66% and is retesting the 1-month low reached last week. There were similar magnitude declines across interest rate swap markets with 2 and 10-year rates closing at 4.95% and 4.55% respectively.

Australian 10-year bond futures are ~8bps lower in yield overnight, suggesting pointing towards lower NZGB yields on the open.

New Zealand Debt Management are tendering NZ\$500 million of nominal NZGBs today split across May-31 (\$250m), May-34 (\$50m). There was close to NZ\$900 million of NZGB coupon payments yesterday, which is likely to contribute to demand for bonds, along with the index extension of the S&P/NZX New Zealand Government Bond Index following the 15 May 2024 bond maturity.

Labour market data in Australia is the main regional focus in the day ahead. The unemployment rate is expected to rise to 3.9% from 3.8% in March and compares with the

RBA's 4.0% forecast which is an average for Q2. US jobless claims will be closely monitored this evening after an unexpected increase last week. The rise was attributed to one-off factors and is expected to reverse.

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Coming Up

		Period	Cons.	Prev.	NZT
JN	GDP SA (q/q%)	1Q P	-0.3	0.1	11:50
AU	Unemployment Rate	Apr	3.9	3.8	13:30
AU	Employment Change	Apr	23.7	-6.6	13:30
US	Initial Jobless Claims	May 11	220	231	00:30
US	Housing Starts	Apr	1420	1321	00:30
US	Building Permits	Apr	1480	1458	00:30
US	Philadelphia Fed Business Outlook	May	8	15.5	00:30
US	Industrial Production (m/m%)	Apr	0.1	0.4	01:15

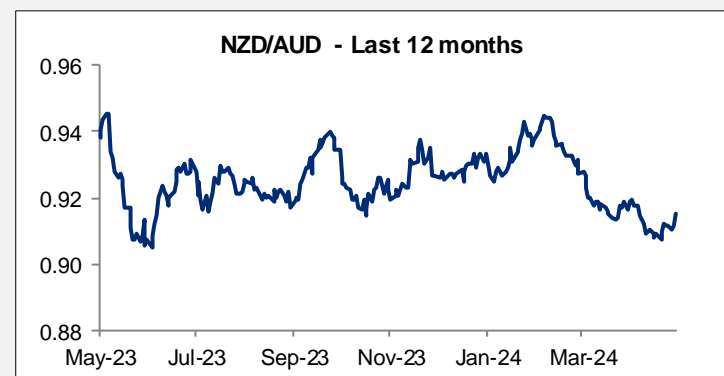
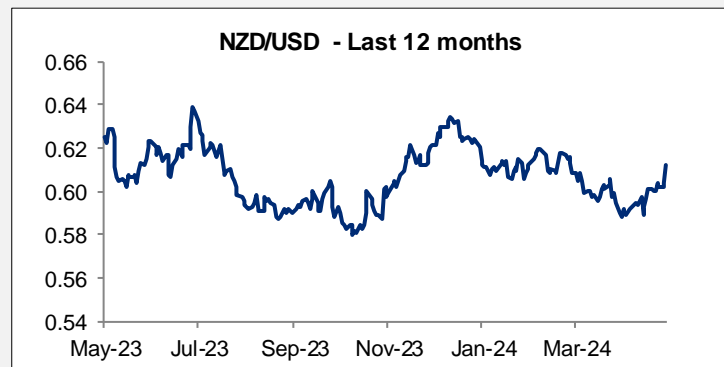
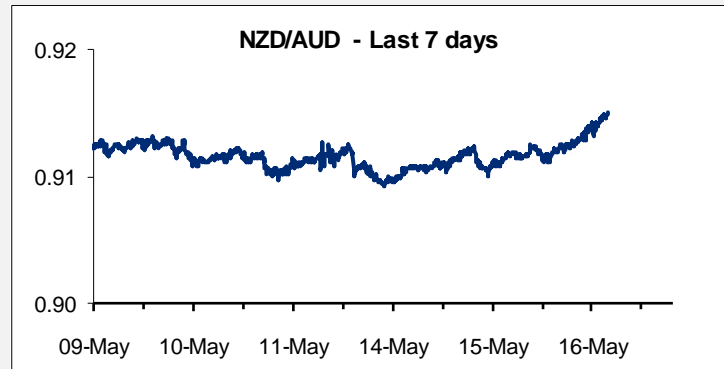
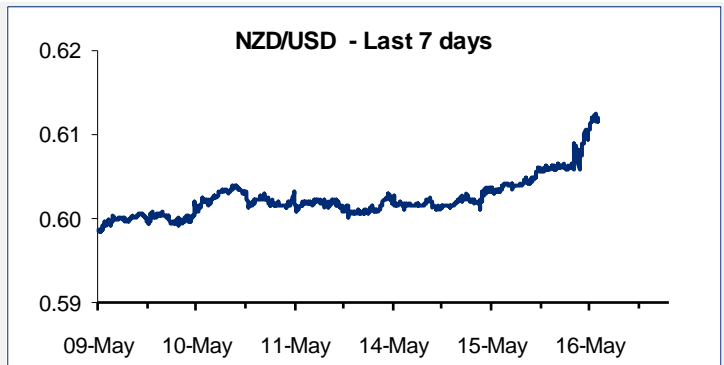
Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day			Last	Net Day				
NZD	0.6119	+1.3	0.6056	0.6125	CHF	0.9031	-0.4		S&P 500	5,299	+1.0	28.1	Oil (Brent)	82.83	+0.6
AUD	0.6688	+0.9	0.6628	0.6695	SEK	10.665	-1.3		Dow	39,834	+0.7	19.4	Oil (WTI)	78.73	+0.9
EUR	1.0877	+0.5	1.0822	1.0881	NOK	10.675	-1.2		Nasdaq	16,726	+1.3	35.3	Gold	2390.2	+1.3
GBP	1.2677	+0.7	1.2592	1.2684	HKD	7.810	-0.0		Stoxx 50	5,101	+0.4	18.2	HRC steel	785.0	+0.3
JPY	154.95	-1.0	154.70	156.29	CNY	7.219	-0.2		FTSE	8,446	+0.2	8.6	CRB	287.4	-0.1
CAD	1.3603	-0.4			SGD	1.346	-0.4		DAX	18,869	+0.8	18.5	Wheat Chic.	687.3	-0.9
NZD/AUD	0.9149	+0.4			IDR	16,028	-0.5		CAC 40	8,240	+0.2	11.1	Sugar	18.65	-1.3
NZD/EUR	0.5626	+0.8			THB	36.34	-0.6		Nikkei	38,386	+0.1	28.6	Cotton	75.41	+1.1
NZD/GBP	0.4827	+0.6			KRW	1,360	-0.6		Shanghai	3,120	-0.8	-5.2	Coffee	199.4	-1.0
NZD/JPY	94.81	+0.4			TWD	32.19	-0.7		ASX 200	7,754	+0.3	7.2	WM powder	3210	+1.9
NZD/CAD	0.8324	+0.9			PHP	57.55	-0.5		NZX 50	11,526	-0.8	-3.5	Australian Futures		
NZ TWI	71.78	+0.8						VIX Index	12.72	-5.2	-25.7	3 year bond	96.05	0.00	
Interest Rates													10 year bond	95.74	0.08
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	4.65	3.99	USD	4.36	-0.08	15-May-26	4.74	-0.03	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.37	4.19	4.45	AUD	4.32	-0.01	15-Apr-27	4.59	-0.03	BKBM 3-mth	5.64	0.01		
NZD	5.50	5.64	4.95	4.55	NZD	4.66	-0.03	15-May-28	4.54	-0.03	1 year	5.39	-0.00		
EUR	4.00	3.82	3.24	2.70	GER	2.42	-0.13	20-Apr-29	4.51	-0.03	2 year	4.95	-0.01		
GBP	5.25	5.30	4.47	3.77	GBP	4.07	-0.11	15-May-30	4.52	-0.03	3 year	4.68	-0.02		
JPY	0.08	-0.03	0.40	1.00	JPY	0.96	0.00	15-May-31	4.55	-0.03	5 year	4.47	-0.02		
CAD	5.00	5.27	4.52	3.89	CAD	3.58	-0.11	15-May-32	4.60	-0.03	7 year	4.47	-0.03		
							NZ Inflation-Indexed Bonds						10 year	4.55	-0.02
							Sep-30	2.24	-0.02	15-May-34	4.66	-0.03	15 year	4.70	-0.02
							Sep-35	2.56	-0.02	15-May-35	4.71	-0.03			
							Sep-40	2.75	-0.02	15-May-37	4.82	-0.03			
										15-May-41	4.95	-0.03			
										15-May-51	4.96	-0.03			
										15-May-54	4.99	-0.03			

* These are indicative r 06:52
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

16/05/2024	6:53 am	Prev. NY close
USD	0.6119	0.6041
GBP	0.4827	0.4797
AUD	0.9149	0.9116
EUR	0.5626	0.5584
JPY	94.81	94.49
CAD	0.8324	0.8247
CHF	0.5526	0.5476
DKK	4.1975	4.1658
FJD	1.3831	1.3671
HKD	4.7786	4.7191
INR	51.09	50.45
NOK	6.5323	6.5271
PKR	168.98	168.12
PHP	35.21	34.94
PGK	2.3409	2.3110
SEK	6.5262	6.5251
SGD	0.8235	0.8166
CNY	4.4173	4.3699
THB	22.36	22.15
TOP	1.4187	1.4228
VUV	73.83	73.10
WST	1.6618	1.6418
XPF	67.36	66.67
ZAR	11.1787	11.1087



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.24	0.04
3 Months	-0.51	-0.02
6 Months	-1.28	-0.28
9 Months	-2.41	-0.41
1 Year	-3.86	-0.86

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.76	-8.18
3 Months	-25.12	-23.99
6 Months	-45.45	-42.73
9 Months	-61.23	-56.22
1 Year	-72.70	-65.53

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