

Research Markets Today

17 April 2024

Events Round-Up

CH: GDP (q/q%), Q1: 1.6 vs 1.5 exp.
 CH: GDP (y/y%), Q1: 5.3 vs. 4.8 exp.
 CH: Industrial production (y/y%), Mar: 4.5 vs. 6.0 exp.
 CH: Retail sales (y/y%), Mar: 3.1 vs. 4.8 exp.
 CH: Fixed investment (ytd, y/y%), Mar: 4.5 vs. 4.0 exp.
 UK: Wkly earnings x bonus (3m/y%), Feb: 6.0 vs. 5.8 exp.
 UK: Unemployment rate (%), Feb: 4.2 vs. 4.0 exp.
 GE: ZEW survey expectations, Apr: 42.9 vs. 35.5 exp.
 US: Building permits (k), Mar: 1458 vs. 1510 exp.
 US: Housing starts (k), Mar: 1321 vs. 1482 exp.
 CA: CPI (y/y%), Mar: 2.9 vs. 2.9 exp.
 CA: CPI Core (avg med/trim y/y%), Mar: 3.0 vs. 3.1 exp.
 US: Industrial production (m/m%), Mar: 0.4 vs. 0.4 exp.

Good Morning

Global bond market remained under pressure. US treasuries yields made fresh highs for the year which constrained equity market performance. The S&P was marginally lower in early afternoon trade, with limited rebound from recent weakness, despite trading at one-month lows. The VIX gauge of US stock market volatility remained elevated reflecting the uncertain geopolitical backdrop. In currency markets, the US dollar was confined to a choppy range. Asian currencies were in focus after the PBOC set a weaker daily reference rate for the yuan and the yen was volatile amid intervention concerns.

Fed Chair Powell, who was speaking on a panel in Washington, said recent data shows a 'lack of further progress on inflation'. He also commented it will take longer to gain confidence on inflation and it is appropriate to let policy take further time to work. His comments align with recent Fed speakers who observed that, while there has been considerable progress in lowering inflation, the task of sustainably restoring 2% inflation is not done yet.

US 2-year treasury yields, which had been steadily moving higher, reached 5% after Powell's comments. This is the highest level since November, as the market reflects rates remaining higher for longer, due to robust activity and persistent inflation. The market is pricing less than 40bps of Fed rate cuts for this year. Housing market and industrial production, which was in line with consensus

estimates, had limited impact. 10-year treasuries increased 6bps to 4.66%.

China Q1 GDP beat expectations with a 5.3% y/y expansion. Separately monthly activity data for March were mixed. March industrial production and retail sales undershot median forecasts while fixed asset investment expanded faster than expected. Consumption remains soft with limited evidence of a shift in reliance away from investment as a source of growth. Policymakers are attempting to support domestic demand as the economy grapples with a property crisis.

The PBOC set a weaker daily reference rate, after a period of stability, suggesting there is some flexibility for the Yuan to depreciate in line with regional currencies in response to the stronger US dollar. After the weaker fix, Bloomberg reported that Chinese state banks sold USD/CNY to limit dollar gains. The weaker yuan and general soft risk tone weighed on the Asian currencies including the NZD.

UK unemployment rose to 4.2%, a six-month high, in the three months to February. This was up from 3.9% in the previous 3-month period and higher than the 4% median estimate. One thing to note is the UK Office for National Statistics continues to warn of increased volatility in its data due to smaller survey samples. Meanwhile wages grew at a 6.0% annual rate in March, faster than expected.

The US dollar was broadly stable in offshore trade. The dollar index traded to the session highs as 2-year treasuries yields reached 5%. The yen remained weak with USD/JPY approaching 155. Intra-session volatility was high – USD/JPY dropped close to a big-figure in a matter of seconds before rebounding - with traders on edge given potential for intervention. The Canadian dollar weakened after core inflation measures came in softer than expected. NZD/USD was range bound overnight. The NZD was unable to recover meaningfully from the yuan driven weakness yesterday and remains close to the lows for the year.

NZ fixed income yields moved higher in the local session yesterday reflecting moves in offshore markets with 10-year NZGBs matching the move in Australia. 10-year NZGBs increased 8bps to 4.89%, levels just below the 2024 high reached in mid-February. Swaps matched the moves in bonds and the 2y10y curve steepened 3bps to -39bps. Australian 10-year bond futures are 3bps higher in yield

overnight, suggesting an upward bias for NZ yields on the open.

In the day ahead, Q1 CPI is the key domestic release. After the March inflation partials were released on Friday, we have revised down our forecast for Q1 headline CPI to 0.6% q/q and 3.9% on an annual basis. While this is above the RBNZ forecasts (0.4% q/q and 3.8% y/y), the Bank noted recent price increases are mostly due to volatile components at the April Monetary Policy Review. UK CPI data for March is expected to fall further, aided by base effects.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	CPI (q/q%)	1Q	0.6	0.5	10:45
NZ	CPI (y/y%)	1Q	4	4.7	10:45
UK	CPI (y/y%)	Mar	3.1	3.4	18:00
UK	CPI Core (y/y%)	Mar	4.1	4.5	18:00

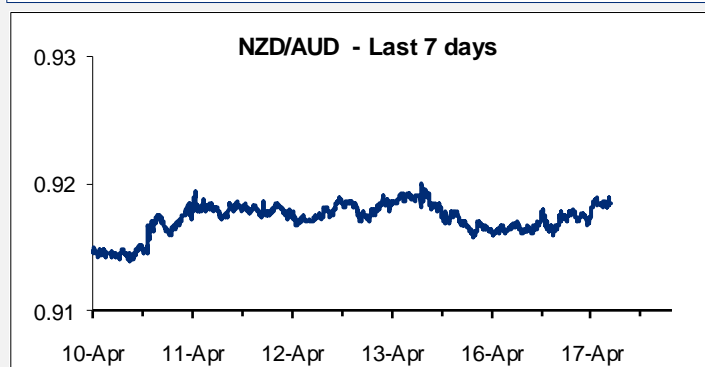
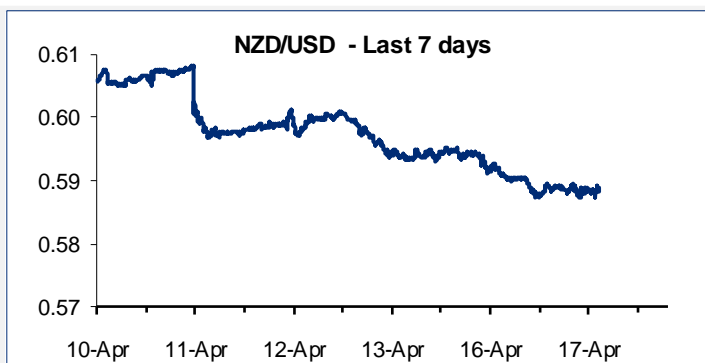
Source: Bloomberg, BNZ

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	0.5890	-0.3	0.5868	0.5896	CHF	0.9122	+0.1		S&P 500	5,045	-0.3	21.9	Oil (Brent)	89.87	-0.1
AUD	0.6413	-0.5	0.6390	0.6427	SEK	10.951	+0.6		Dow	37,826	+0.2	11.6	Oil (WTI)	85.17	-0.1
EUR	1.0630	+0.0	1.0601	1.0654	NOK	10.979	+0.4		Nasdaq	15,885	-0.0	31.0	Gold	2390.8	+1.0
GBP	1.2442	-0.1	1.2406	1.2472	HKD	7.832	+0.0		Stoxx 50	4,917	-1.4	12.0	HRC steel	845.0	+0.0
JPY	154.62	+0.2	154.04	154.79	CNY	7.238	+0.0		FTSE	7,820	-1.8	-0.7	CRB	298.2	+0.1
CAD	1.3813	+0.2			SGD	1.365	+0.1		DAX	17,766	-1.4	12.4	Wheat Chic.	565.3	-0.4
NZD/AUD	0.9184	+0.2			IDR	16,176	+2.1		CAC 40	7,933	-1.4	5.5	Sugar	19.63	-2.0
NZD/EUR	0.5541	-0.3			THB	36.69	-0.1		Nikkei	38,471	-1.9	34.9	Cotton	81.29	-2.0
NZD/GBP	0.4734	-0.2			KRW	1,395	+0.8		Shanghai	3,007	-1.6	-11.2	Coffee	228.4	+1.0
NZD/JPY	91.07	-0.0			TWD	32.50	+0.4		ASX 200	7,612	-1.8	3.1	WM powder	3260	+0.9
NZD/CAD	0.8136	-0.1			PHP	57.00	+0.3		NZX 50	11,805	-0.9	-1.1	Australian Futures		
NZ TWI	70.08	-0.1						VIX Index	18.66	-3.0	+9.3	3 year bond	96.13	-0.05	
Interest Rates															
	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	5.58	4.88	4.27	USD	4.65	0.05	15-May-26	4.91	0.05	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.36	4.17	4.57	AUD	4.33	0.07	15-Apr-27	4.76	0.05	BKBM 3-mth	5.64	-0.01		
NZD	5.50	5.64	5.13	4.74	NZD	4.90	0.08	15-May-28	4.70	0.06	1 year	5.48	0.02		
EUR	4.00	3.89	3.29	2.81	GER	2.49	0.05	20-Apr-29	4.69	0.06	2 year	5.13	0.05		
GBP	5.25	5.30	4.74	4.03	GBP	4.30	0.06	15-May-30	4.72	0.07	3 year	4.89	0.05		
JPY	0.08	-0.03	0.39	1.00	JPY	0.87	0.01	15-May-31	4.77	0.07	5 year	4.69	0.06		
CAD	5.00	5.28	4.60	4.05	CAD	3.72	-0.03	15-May-32	4.82	0.08	7 year	4.68	0.07		
					NZ Inflation-Indexed Bonds		14-Apr-33	4.85	0.08	10 year	4.74	0.08			
					Sep-30	2.49	0.06	15-May-34	4.90	0.08	15 year	4.88	0.08		
					Sep-35	2.81	0.06	15-May-35	4.96	0.08					
					Sep-40	3.00	0.06	15-May-37	5.04	0.09					
								15-May-41	5.16	0.09					
								15-May-51	5.13	0.09					
								15-May-54	5.16	0.08					

* These are indicative r 06:40
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

17/04/2024	6:39 am	Prev. NY close
USD	0.5890	0.5904
GBP	0.4734	0.4744
AUD	0.9184	0.9165
EUR	0.5541	0.5557
JPY	91.07	91.09
CAD	0.8136	0.8140
CHF	0.5373	0.5382
DKK	4.1345	4.1458
FJD	1.3469	1.3523
HKD	4.6131	4.6221
INR	49.20	49.27
NOK	6.4669	6.4607
PKR	163.79	164.21
PHP	33.57	33.55
PGK	2.2277	2.2254
SEK	6.4500	6.4273
SGD	0.8037	0.8047
CNY	4.2634	4.2734
THB	21.56	21.47
TOP	1.3752	1.3811
VUV	72.01	71.83
WST	1.6190	1.6108
XPF	65.80	66.12
ZAR	11.2076	11.2097



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.01	0.28
3 Months	0.15	0.65
6 Months	-0.05	0.95
9 Months	-0.28	1.78
1 Year	-1.06	1.94

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.03	-8.35
3 Months	-24.36	-23.13
6 Months	-47.19	-44.20
9 Months	-67.58	-62.22
1 Year	-84.48	-76.35

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