

Research Markets Today

18 April 2024

Events Round-Up

NZ: CPI (q/q%), Q1: 0.6 vs. 0.6 exp.

NZ: CPI (y/y%), Q1: 4.0 vs. 4.0 exp.

UK: CPI (y/y%), Mar: 3.2 vs. 3.1 exp.

UK: CPI Core (y/y%), Mar: 4.2 vs. 4.1 exp.

Good Morning

There is a modest risk-off tone in the air, with US equities weaker, US Treasury yields lower, credit spreads wider and oil prices weaker. Currency movements haven't been affected by the risk-off move, with the USD broadly weaker overnight. The NZD and AUD have been the best performers over the past 24 hours, with higher rates post the NZ CPI supporting a move for the NZD above 0.59, which has been sustained overnight.

Newsflow has been minimal overnight. Risk appetite is a bit weaker. US equities opened on a positive note, before a steady decline took the S&P500 down as much as 0.9%, where some support was met, and the index is now down only 0.4%.

US Treasury yields steadily fell from the Asia open and the US 10-year rate is down 8bps on the day to 4.58% while the 2-year rate is down 6bps to 4.93%, both retracing from the 2024 highs reached during the previous session. A positive sign for the Treasuries market was that the 20-year note auction was expected to tail, but even with rates lower ahead of the event, the Treasury managed to sell \$13b of the notes nearly 3bps below prevailing rates.

Oil prices are weaker, not helped by the risk off tone and the weekly US EIA report showing crude inventories rising to their highest level since June. Brent crude is down nearly 3% to USD87.50 per barrel.

In the UK, annual headline and core CPI inflation both fell, to 3.2% and 4.2% respectively, although both figures were a tick higher than expected. Somewhat disappointingly, services inflation was barely lower and was 2-ticks higher than expected at 6.0% y/y. Speaking after the release, BoE Governor Bailey said the UK is still in the midst of a "pronounced period" of disinflation and the UK remained "pretty much on track" compared with the BoE's February inflation forecast, adding that he expected a further sharp drop to price growth in next month's numbers, noting the sharp reduction in household energy costs. He reiterated

that each policy meeting is "in play" as policymakers judge progress towards the BoE's 2 per cent target each time it meets.

Market reaction was temporary, with global forces taking over. The first full UK rate cut isn't priced until September, although August remains well priced at 21bps, while almost two full cuts are priced this year.

Currency markets have been immune to the whiff of weaker risk appetite, with the USD broadly weaker after its recent strong run. EUR has been the strongest performer overnight, up 0.4% to 1.0670. Most of the run-up in the euro was ahead of ECB President Lagarde speaking in Washington, but she said she was clearly seeing signs of a euro area recovery. She said the Bank was looking at the exchange rate very carefully and the impact of the euro on inflation would be taken into account.

Commodity currencies have been well supported overnight. Yesterday, NZ CPI inflation data were in line with expectations, up 0.6% q/q and 4.0% y/y, the lowest annual increase in nearly three years. Core inflation figures were mixed, with some showing a stalling of the recent downward trend, but the average of six measures we look at showed annual inflation falling to a 2½-year low of 4.2%. A snag was that services and non-tradeables inflation remained too high for comfort. The market took notice of this, putting some upward pressure on NZ rates and the NZD, seeing nothing in the data that would have the RBNZ scurrying to bring forward its rate cut agenda.

NZGB yields closed the session up 6-7bps across the curve., while swap rates were up 5-6bps. Market pricing for rate cuts this year was pared by 9bps to just a cumulative 33bps, or just over one full rate cut.

The data supported a move in the NZD to back over 0.59 and there has been a further small push higher overnight to 0.5920. There was some spillover into the AUD, which pushed up to 0.6440 this morning. NZD/AUD broke up through 0.92, although trades just below the figure this morning. NZD cross rates are all modestly higher for the day.

Finally, the US political season is gearing up. Anti-China rhetoric is popular and President Biden proposing to raise tariffs on steel and aluminium imports from China. A senior official noted that the higher tariffs would only affect 0.6% of US demand for steel, so there was little market reaction. But the WSJ notes Biden's move comes

as the administration is studying raising tariffs on a range of Chinese exports to the US including electric vehicles, batteries and solar products.

In the day ahead, Australia’s employment report is expected to show a pullback following the blockbuster February report, with modest employment growth of 10k, driving the unemployment rate up 2-ticks to 3.9%. Only second tier US data are released tonight including the Philly Fed’s business survey, jobless claims and existing home sales data.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Unemployment rate (%)	Mar	3.9	3.7	13:30
AU	Employment change (k)	Mar	10	117	13:30
US	Philly Fed bus. outlook	Apr	2.3	3.2	00:30
US	Initial jobless claims (k)	13-Apr	215	211	00:30
US	Existing home sales (m/m%)	Mar	-4.1	9.5	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	0.5917	+0.6	0.5894	0.5925	CHF	0.9103	-0.3	S&P 500	5,051	-0.0	21.7	Oil (Brent)	87.41	-2.9
AUD	0.6437	+0.5	0.6409	0.6446	SEK	10.939	-0.2	Dow	37,806	+0.0	11.2	Oil (WTI)	82.78	-3.0
EUR	1.0671	+0.5	1.0624	1.0680	NOK	10.996	+0.1	Nasdaq	15,735	-0.8	29.4	Gold	2372.0	-0.8
GBP	1.2453	+0.2	1.2424	1.2482	HKD	7.830	-0.0	Stoxx 50	4,914	-0.1	12.5	HRC steel	840.0	-0.6
JPY	154.34	-0.2	154.16	154.71	CNY	7.239	+0.0	FTSE	7,848	+0.4	-0.4	CRB	296.8	-0.4
CAD	1.3769	-0.4			SGD	1.361	-0.3	DAX	17,770	+0.0	12.5	Wheat Chic.	553.3	-2.0
NZD/AUD	0.9192	+0.1			IDR	16,220	+0.3	CAC 40	7,982	+0.6	6.4	Sugar	19.32	-1.6
NZD/EUR	0.5545	+0.1			THB	36.76	+0.2	Nikkei	37,962	-1.3	32.5	Cotton	79.56	-2.2
NZD/GBP	0.4751	+0.4			KRW	1,387	-0.6	Shanghai	3,071	+2.1	-9.5	Coffee	240.4	+4.7
NZD/JPY	91.32	+0.4			TWD	32.48	-0.1	ASX 200	7,606	-0.1	3.3	WM powder	3205	-1.2
NZD/CAD	0.8147	+0.2			PHP	57.20	+0.4	NZX 50	11,875	+0.6	-0.1	Australian Futures		
NZ TWI	70.31	+0.4						VIX Index	17.61	-4.3	+3.9	3 year bond	96.07	-0.06
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	5.59	4.84	4.20	USD	4.58	-0.08	15-May-26	4.97	0.06	BKBM 1-mth	5.60	0.00	
AUD	4.35	4.36	4.17	4.55	AUD	4.38	0.05	15-Apr-27	4.82	0.06	BKBM 3-mth	5.64	-0.00	
NZD	5.50	5.64	5.18	4.79	NZD	4.97	0.07	15-May-28	4.77	0.06	1 year	5.55	0.06	
EUR	4.00	3.90	3.27	2.77	GER	2.47	-0.02	20-Apr-29	4.76	0.07	2 year	5.18	0.05	
GBP	5.25	5.30	4.69	3.98	GBP	4.26	-0.04	15-May-30	4.79	0.07	3 year	4.94	0.06	
JPY	0.08	-0.03	0.38	0.98	JPY	0.88	0.01	15-May-31	4.84	0.07	5 year	4.75	0.05	
CAD	5.00	5.28	4.60	4.03	CAD	3.69	-0.04	15-May-32	4.89	0.07	7 year	4.73	0.05	
								14-Apr-33	4.92	0.07	10 year	4.79	0.05	
								15-May-34	4.97	0.07	15 year	4.92	0.04	
								15-May-35	5.03	0.07				
								15-May-37	5.11	0.07				
								15-May-41	5.23	0.07				
								15-May-51	5.20	0.07				
								15-May-54	5.23	0.07				

* These are indicative r 06:58
 please confirm rates with your BNZ dealer
 Rates are as of: NZT
 Source: Bloomberg

NZD exchange rates

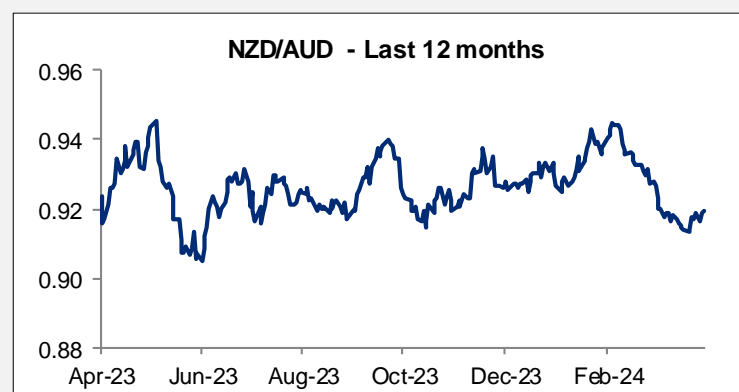
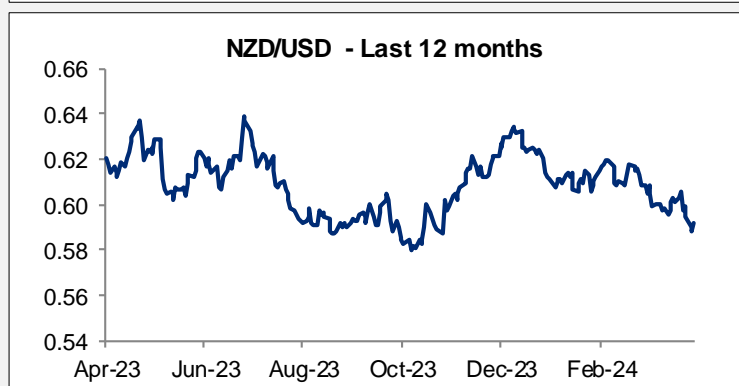
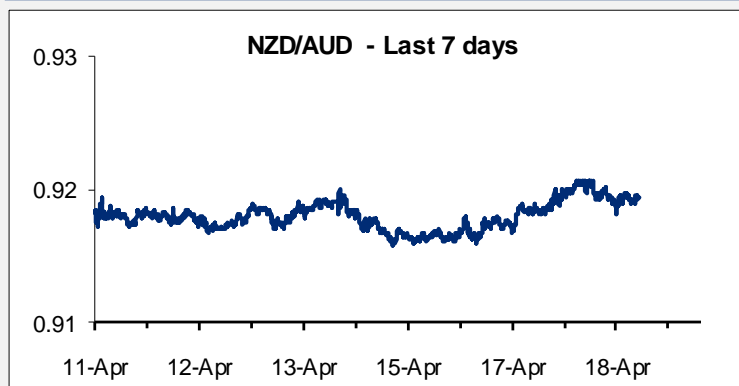
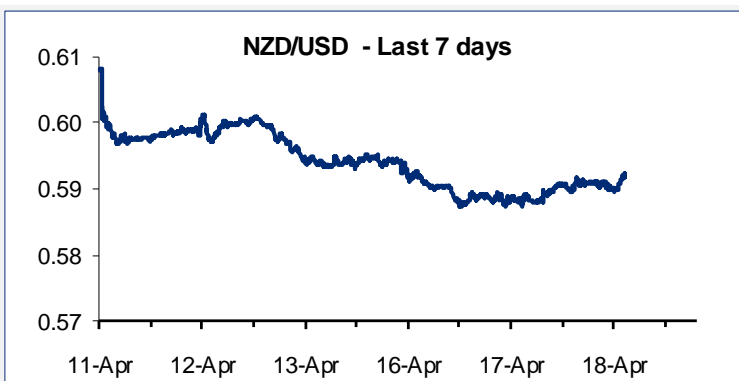
18/04/2024 6:58 am		Prev. NY close
USD	0.5917	0.5881
GBP	0.4751	0.4733
AUD	0.9192	0.9186
EUR	0.5545	0.5538
JPY	91.32	90.99
CAD	0.8147	0.8133
CHF	0.5386	0.5369
DKK	4.1373	4.1322
FJD	1.3475	1.3479
HKD	4.6332	4.6058
INR	49.43	49.08
NOK	6.5066	6.4600
PKR	164.54	163.57
PHP	33.84	33.52
PGK	2.2404	2.2167
SEK	6.4727	6.4469
SGD	0.8050	0.8028
CNY	4.2831	4.2566
THB	21.76	21.53
TOP	1.3873	1.3812
VUV	72.89	72.08
WST	1.6283	1.6162
XPF	66.14	65.94
ZAR	11.2518	11.2055

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.04	0.32
3 Months	0.03	0.53
6 Months	-0.97	0.07
9 Months	-3.17	-0.57
1 Year	-5.19	-2.19

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.74	-7.94
3 Months	-24.62	-23.40
6 Months	-48.56	-45.70
9 Months	-71.26	-65.38
1 Year	-89.65	-82.12



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