

20 February 2018



## Events Round-Up

NZ: BNZ Perf. of Services Index, Jan: 55.8 vs. 56.0 prev.

## Good Morning

A very quiet day yesterday. So quiet it took a fair amount of Monday morning before the NZD even traded. China and Hong Kong markets were closed for Lunar New Year holidays. The market slumber continued overnight with the US out for Presidents' Day holiday.

In Europe, government bond yields have pushed up and stocks are lower. The Euro Stoxx 50 index is down around 0.6%. US equity futures are down smalls. Oil prices have extended gains made late last week, up around 1% on the day. But with no data and little news, currency moves have been minor across the board.

The USD has wriggled higher, adding to the recovery it started late last week. But you have to squint to see the move up on a chart. It is marginal stuff with the DXY US Dollar Index up 0.1%.

Following steep falls over the past few weeks, USD/JPY has found some composure up 0.2% from yesterday's local close. The pair currently sits around 106.60, a full cent up from last week's low. There was no market reaction to yesterday's better than expected Japanese trade data.

EUR/USD dipped to around 1.2370 at one point overnight, with no obvious trigger, but has since recovered to be little changed on the day at around 1.2410. GBP/USD is down 0.3% from yesterday's close, currently sitting around the 1.4020 mark. There is potential for some GBP movement ahead with BoE governor Carney talking tonight and again later in the week, ahead of next week's speech from PM May on her vision for a Brexit trade deal.

Commodity currencies were initially supported yesterday helped by rising oil prices, but seemed to lose favour overnight as European stocks slid.

NZD/USD pushed slowly higher yesterday, showing no fear of the approaching ex-tropical Cyclone Gita. After getting to around 0.7410 yesterday, NZD/USD has since drifted lower. The pair had already posted its low for the night, under 0.7360, before a survey showing NZ house price expectations are at a six and a half year low was published. NZD/USD opens this morning around 0.7370. A

key level of resistance remains at 0.7440. A break up through that would open up last year's high of 0.7558. On the other side, any decent support level is some way away coming in at around 0.7200.

NZ's PSI released yesterday came in at 55.8 for January compared to December's 56.0. Combined with last Friday's PMI, the recent trends are solid enough but consistent with the slowing in near-term GDP growth that we anticipate. Nothing there to excite the market.

Today's NZ producer price inflation data is unlikely provide excitement either. The GDT dairy auction overnight has more potential to cause movement if it was substantially different from indicators and our expectation of a flat to small rise.

AUD slightly outperformed the NZD overnight, checking the recent gains in NZD/AUD. But like other currency moves, they were minor. NZD/AUD sits around 0.9320 this morning well within the 0.90 to 0.94 range that has contained it for the past three months. No major new news is expected from today's RBA minutes, with a little more interest in tomorrow's AU wage data.

NZ interest rates again saw little movement yesterday. The front-end of the swap curve continues to trade a very narrow range with the 2-year saw having been between 2.15% and 2.18% for the past three weeks. It closed unchanged at 2.165% yesterday. The market fully prices the first RBNZ hike in May 2019, unchanged from last week. There doesn't look to be anything on the calendar this week to change that picture.

At the long end, direction continues to come from offshore although NZ rates have been generally outperforming the US with NZ-US spreads tightening. NZ 10 year swap and NZGB 10 year bond both closed down 2bps yesterday at 3.265% and 2.965% respectively. Overnight, German 10 year Bund yields rose nearly 3bps while UK 10 year Gilts rose 2bps.

There is little on the calendar today to cause market movement, but there are numerous Fed speakers on the circuit later this week. Some attention will be on the officials' assessment of the recent bout of equity market wobbles. But with volatility settling down over the past week or so, more attention will be on whether more signs that inflation is edging higher is generating a sense of need to hasten the pace of monetary tightening. Thursday morning's FOMC meeting minutes will be assessed in a similar vein.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	PPI Output QoQ	4Q		1	10:45
AU	RBA February Meeting Minutes				13:30
GE	ZEW Survey Expectations	Feb	16	20.4	23:00
NZ	Dairy Auction Avg. Winning Price MT			3553	early am
EC	Consumer Confidence	Feb A	1	1.3	04:00

Source: Bloomberg, BNZ

Foreign Exchange						Equities				Commodities**				
Indicative overnight ranges (*)					Other FX		Major Indices				Price			
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year		Last	Net Day		
NZD	0.7371	-0.2	0.7354	0.7398	CHF	0.9297	+0.2	S&P 500	2,732	+0.0	16.2	Oil (Brent)	65.60	+0.8
AUD	0.7911	+0.1	0.7898	0.7931	SEK	7.991	+0.2	Dow	25,219	+0.1	22.3	Oil (WTI)	62.45	+1.1
EUR	1.2411	+0.0	1.2369	1.2427	NOK	7.789	-0.0	Nasdaq	7,239	-0.2	24.0	Gold	1346.0	-0.5
GBP	1.4017	-0.1	1.3959	1.4042	HKD	7.822	+0.0	Stoxx 50	3,405	-0.6	2.9	HRC steel	752.0	+0.1
JPY	106.58	+0.3	106.29	106.73	CNY	6.342	+0.0	FTSE	7,241	-0.6	-0.8	CRB	193.6	+0.1
CAD	1.2562	+0.0			SGD	1.314	+0.2	DAX	12,365	-0.5	5.2	Wheat Chic.	471.5	-0.8
NZD/AUD	0.9317	-0.3			IDR	13,560	+0.3	CAC 40	5,252	-0.5	7.9	Sugar	13.38	-1.8
NZD/EUR	0.5939	-0.3			THB	31.40	+0.3	Nikkei	22,149	+2.0	15.2	Cotton	75.72	+0.4
NZD/GBP	0.5259	-0.1			KRW	1,068	+0.4	Shanghai	3,199	+0.4	-0.4	Coffee	120.5	-3.0
NZD/JPY	78.56	+0.1			TWD	29.12	+0.5	ASX 200	5,942	+0.6	2.3	WM powder	3210.0	+0.0
NZD/CAD	0.9259	-0.2			PHP	52.45	+0.4	NZX 50	8,115	-0.1	14.4	<b>Australian Futures</b>		
NZ TWI	75.59	-0.2										3 year bond	97.835	-0.02
												10 year bond	97.11	-0.01
Interest Rates						NZ Government Bonds				NZ Swap Yields				
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ Swap Yields				
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last		Last				
USD	1.50	1.88	2.48	2.89	USD	2.87	0.00	NZGB 3 04/15/20	1.86	-0.01	1 year	2.00	0.01	
AUD	1.50	1.77	2.05	3.06	AUD	2.89	-0.04	NZGB 6 05/15/21	2.06	-0.01	2 year	2.17	0.00	
NZD	1.75	1.92	2.17	3.27	NZD	2.97	-0.02	NZGB 5 1/2 04/15/23	2.40	-0.01	5 year	2.72	-0.01	
EUR	0.00	0.06	-0.11	1.14	GER	0.73	0.03	NZGB 2 3/4 04/15/25	2.73	-0.02	7 year	3.00	-0.01	
GBP	0.50	0.54	1.01	1.68	GBP	1.60	0.02	NZGB 4 1/2 04/15/27	2.97	-0.02	10 year	3.27	-0.02	
JPY	-0.04	-0.07	0.05	0.29	JPY	0.06	0.00	NZGB 3 1/2 04/14/33	3.33	-0.02	15 year	3.51	-0.02	
CAD	1.25	1.17	2.18	2.66	CAD	2.32	-0.06	NZGB 2 3/4 04/15/37	3.48	-0.02				

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:52

Source: Bloomberg

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