

Research

Markets Today

22 April 2024

Events Round-Up

JN: CPI (y/y%), Mar: 2.7 vs 2.8 exp.

JN: CPI ex fr. fd, energy (y/y%), Mar: 2.9 vs 3.0 exp.

UK: Retail sales ex auto fuel (m/m%), Mar: -0.3 vs 0.3 exp.

Good Morning

Global equity markets traded lower on Friday, but pared the worst of the losses that came amid a sharp rise in investor risk aversion following news that Israel had launched retaliatory strikes against Iran. Risk sentiment recovered after Iran's state media played down the damage from the attacks raising hopes that the hostilities wouldn't escalate into a broader conflict. US treasuries ended little changed, reversing an earlier fall in yields, while the US dollar was stable. Brent crude ended the week at US\$87.30, having jumped as high as US\$90.75, earlier in the session.

The S&P fell close to 1%, taking the index below 5,000 for the first time since February and extending the drawdown to nearly 6% from the late March peak. This was the third consecutive week of losses, amid heightened geopolitical risks and commentary from Federal Reserve officials, that have downplayed the chance of near-term rate cuts. The losses were led by technology stocks. Nvidia, the third-largest stock in the S&P fell 10%, and the Nasdaq declined 2%, the largest fall since October.

The flight to quality demand for US treasuries in the Asian session Friday continued unwound as investors switched focus to ongoing strong US economic data and the potential for rate cuts to be pushed further out this year. Chicago Fed President Goolsbee, who is generally considered to be on the more dovish end of the policy spectrum, said progress on inflation has stalled and it will take longer to get inflation back to the Fed's 2% target than previously thought. US 2-year yields, which troughed at 4.88% amid peak risk aversion, ended unchanged at 4.98%, while 10-year yields were also little changed at 4.62% having rebounded from the earlier decline.

Japan CPI was lower than expected ahead of the Bank of Japan (BOJ) meeting on Friday. Consumer prices excluding fresh food and energy increased at a 2.9% annual rate, slipping below 3% for the first time since November. However, inflation has been above the BOJ's 2% target for

2 years supporting the case for a further normalisation of monetary policy. The BOJ is expected to hold policy steady this week, and updated growth and inflation forecasts, will help to finetune the timing for further tightening.

Bank of England (BOE) deputy governor Ramsden signalled he is less concerned about the inflation backdrop and that the balance of inflation risks is now on the downside. He said the restrictive policy stance will weigh on service inflation and April CPI, which is released mid-May, will see UK inflation converging with Europe. Separately, UK retail sales undershot expectations in March which add to evidence of a lacklustre recovery from the H2-23 technical recession. The market priced additional easing by the BOE. There is 52bps of rate cuts priced for this year, up from 42bps prior to Ramsden's comments, and a 25bps rate cut priced for August.

The price action in currency markets was similar to US treasuries. The initial spike in risk aversion saw defensive currencies like the yen, Swiss Franc and US dollar outperform. However, as risk appetite returned, these moves were unwound. The dollar index ended little changed. Data from the Commodity Futures Trading Commission revealed that speculative accounts hold the largest US dollar long position in nearly 5 years which could slow the pace of further gains. The pound was the weakest developed market currency with diminished yield support after the fall in UK rates.

NZD/USD made fresh lows for 2024 down towards 0.5850 in the Asian session before rebounding in line with the improved risk tone. The recovery stalled near 0.5900 and NZD/USD ended the offshore session little changed. The NZD marginally underperformed against the AUD and EUR. NZD/GBP recovered back towards 0.4760 having traded to 6-month lows earlier last week.

NZ fixed interest had a uniform 4bps move lower across government bonds and swap curves during the local session on Friday. There was limited activity as investors focused on offshore events. Australian 10-year government bond futures are ~6bps higher in yield since the local close which is expected to set the tone for NZ markets on the open.

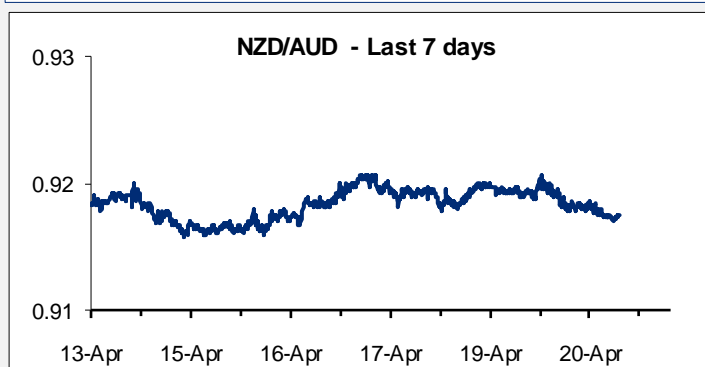
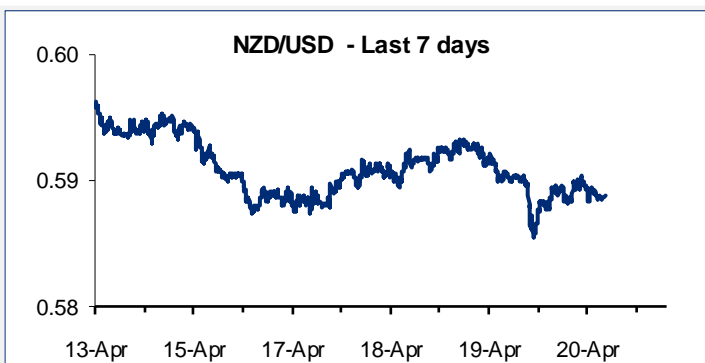
There is no data of note today.

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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	0.5888	-0.2	0.5882	0.5906	CHF	0.9102	-0.2	S&P 500	4,967	-0.9	19.6	Oil (Brent)	87.31	+0.2			
AUD	0.6418	-0.0	0.6406	0.6433	SEK	10.922	-0.4	Dow	37,986	+0.6	12.1	Oil (WTI)	83.14	+0.6			
EUR	1.0657	+0.1	1.0640	1.0677	NOK	11.020	-0.3	Nasdaq	15,282	-2.0	25.7	Gold	2398.4	+0.7			
GBP	1.2371	-0.5	1.2367	1.2468	HKD	7.833	+0.0	Stoxx 50	4,918	-0.4	11.9	HRC steel	843.0	+0.4			
JPY	154.65	+0.0	154.35	154.65	CNY	7.239	+0.0	FTSE	7,896	+0.2	0.0	CRB	298.2	+0.9			
CAD	1.3750	-0.1			SGD	1.362	-0.0	DAX	17,737	-0.6	11.6	Wheat Chic.	566.8	+2.6			
NZD/AUD	0.9173	-0.2			IDR	16,260	+0.5	CAC 40	8,022	-0.0	6.3	Sugar	19.73	+0.7			
NZD/EUR	0.5525	-0.4			THB	36.84	+0.1	Nikkei	37,068	-2.7	29.8	Cotton	78.69	+0.8			
NZD/GBP	0.4759	+0.3			KRW	1,382	+0.6	Shanghai	3,065	-0.3	-7.1	Coffee	231.9	+0.3			
NZD/JPY	91.05	-0.2			TWD	32.53	+0.5	ASX 200	7,567	-1.0	3.2	WM powder	3170	-0.2			
NZD/CAD	0.8095	-0.3			PHP	57.61	+0.7	NZX 50	11,796	-0.3	-1.1	Australian Futures					
NZ TWI	70.07	-0.2						VIX Index	18.71	+3.9	+13.7	3 year bond	96.19	0.04			
Interest Rates												10 year bond			95.69	0.04	
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	4.89	4.24	USD	4.62	-0.01	15-May-26	4.88	-0.04	BKBM 1-mth	5.60	0.00				
AUD	4.35	4.36	4.14	4.53	AUD	4.26	-0.02	15-Apr-27	4.73	-0.04	BKBM 3-mth	5.64	-0.01				
NZD	5.50	5.64	5.09	4.70	NZD	4.86	-0.04	15-May-28	4.67	-0.04	1 year	5.51	-0.01				
EUR	4.00	3.90	3.32	2.81	GER	2.50	0.00	20-Apr-29	4.66	-0.04	2 year	5.09	-0.03				
GBP	5.25	5.30	4.65	3.96	GBP	4.23	-0.04	15-May-30	4.69	-0.04	3 year	4.85	-0.04				
JPY	0.08	-0.03	0.35	0.95	JPY	0.85	-0.02	15-May-31	4.73	-0.04	5 year	4.65	-0.04				
CAD	5.00	5.28	4.65	4.07	CAD	3.74	-0.02	15-May-32	4.78	-0.04	7 year	4.64	-0.04				
						NZ Inflation-Indexed Bonds						10 year			4.70	-0.04	
												15 year			4.83	-0.04	
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer						Sep-30	2.47	-0.04	15-May-35	4.92	-0.04						
Rates at NY close						Sep-35	2.79	-0.04	15-May-37	5.01	-0.04						
Source: Bloomberg						Sep-40	2.98	-0.04	15-May-41	5.12	-0.04						
									15-May-51	5.11	-0.04						
									15-May-54	5.13	-0.04						

NZD exchange rates

20/04/2024	NY close	Prev. NY close
USD	0.5888	0.5902
GBP	0.4759	0.4746
AUD	0.9173	0.9192
EUR	0.5525	0.5545
JPY	91.05	91.27
CAD	0.8095	0.8125
CHF	0.5359	0.5384
DKK	4.1231	4.1375
FJD	1.3474	1.3524
HKD	4.6119	4.6222
INR	49.15	49.31
NOK	6.4885	6.5249
PKR	163.73	164.15
PHP	33.93	33.76
PGK	2.2354	2.2407
SEK	6.4311	6.4752
SGD	0.8017	0.8040
CNY	4.2625	4.2723
THB	21.70	21.70
TOP	1.3838	1.4062
VUV	72.35	72.49
WST	1.6189	1.6222
XPF	65.70	65.89
ZAR	11.2480	11.3044



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.19	0.26
3 Months	-0.22	0.50
6 Months	-0.95	1.23
9 Months	-3.76	2.87
1 Year	-3.21	2.69

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.71	-7.70
3 Months	-25.11	-23.52
6 Months	-48.40	-44.58
9 Months	-73.44	-61.17
1 Year	-90.17	-77.02

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