

Research Markets Today

23 April 2024

Events Round-Up

EA: Consumer confidence, Apr: -14.7 vs. -14.5 exp.

Good Morning

There has been little newsflow to kick-start the week but risk appetite is higher as Middle East tensions settle. US equities rebounded after a weak run, the UK FTSE100 closed at a fresh closing high and commodity currencies have outperformed. The NZD has consolidated above the 0.59 mark and is flat to higher on the key major cross rates. There have only been small changes in US Treasury yields.

It has been a typically quiet start to the week. After a streak of three weeks of losses and last week's more than 3% fall in the S&P500 being the largest in over a year, US equities have rebounded. The index is currently up almost 1½%, ahead of a busy earnings week.

The UK FTSE100 closed at a record high for the first time in more than a year, supported by rising expectations of rate cuts, the weaker GBP and the index exposure to recently rising commodity prices.

GBP is the weakest of the majors, falling to a fresh five-month low of 1.23 overnight before regaining some poise, and now down only 0.1% at 1.2355. Fresh in investors' minds is BoE Deputy Governor Ramsden's dovish speech on Friday night where he suggested the Bank's inflation forecasts were now tilted to the downside, hinting that this could change his view on the policy outlook towards easier policy. This resulted in lower UK rates, with a further fall overnight. The market now prices in a much better than even chance (64%) of a June rate cut, 30bps of easing priced by August and 59bps for the year. The UK 2-year gilt is down 6bps.

NZD/GBP is up 0.7% since Friday's close, edging towards 0.48. Commodity currencies have outperformed, supported by better risk appetite. There was no further escalation of Middle East tensions over the weekend after Israel's symbolic retaliation towards Iran on Friday, helping oil prices return to their lows for the month. Brent crude is down slightly, trading around USD87 per barrel.

The NZD and AUD caught a bid in early Asia trading and have sustained the move overnight, showing gains of ½% since Friday's NY close. The NZD currently trades at under 0.5920 and the AUD is up near 0.6450. NZD/AUD is flat at

0.9175 but the NZD is higher on the key crosses. With EUR and JPY roughly flat against the USD, NZD/EUR and NZD/JPY crosses are up in the order of 0.5-0.6%. The only economic data release of note, although not market moving, was euro-area consumer confidence pushing up to a fresh two-year high.

The US Treasuries market has had an uneventful trading session. Ahead of a heavy week of Treasury supply with \$183b of debt due to be auctioned, the inclination of investors was to take rates higher, but modestly lower European rates have been a supporting factor. After trading a high of 4.66% near the NZ close, the 10-year rate fallen a little to 4.62%. The curve is slightly steeper.

Global forces saw NZ rates marked higher yesterday. Recall that at the NZ close on Friday, the market was still in risk-off mode after early reports of Israel retaliating against Iran. The retracement of the earlier fall in global rates saw the NZ market play catch-up, resulting in NZGBs marked 6-7bps high, with swap rates up 5-6bps.

On the economic calendar over the next 24 hours, PMI data across Europe and the US are released tonight, with most expected to show small gains in April from March.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
GE	Manufacturing PMI	Apr	42.7	41.9	19:30
GE	Services PMI	Apr	50.5	50.1	19:30
EC	Manufacturing PMI	Apr	46.5	46.1	20:00
EC	Services PMI	Apr	51.8	51.5	20:00
UK	Manufacturing PMI	Apr	50.4	50.3	20:30
UK	Services PMI	Apr	53.0	53.1	20:30
US	Manufacturing PMI	Apr	52.0	51.9	01:45
US	Services PMI	Apr	52.0	51.7	01:45
US	New Home Sales	Mar	670	662	02:00

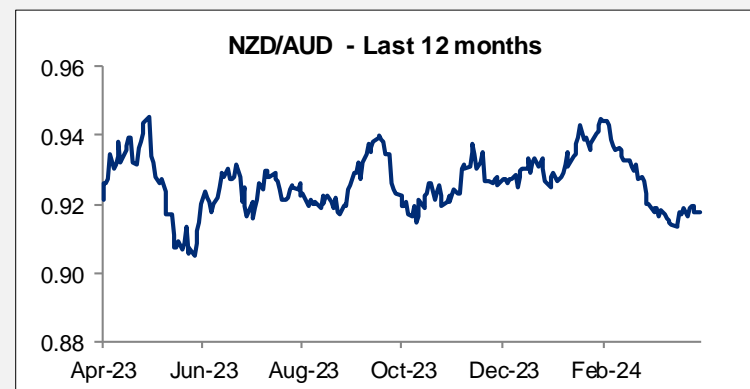
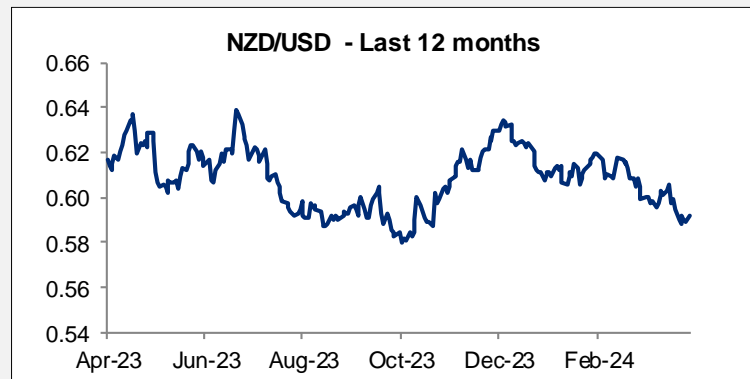
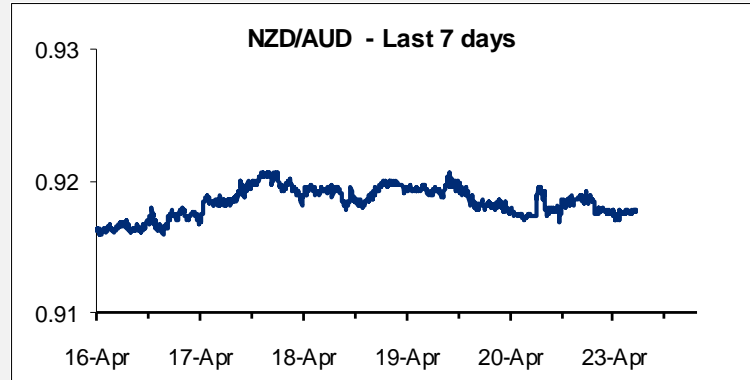
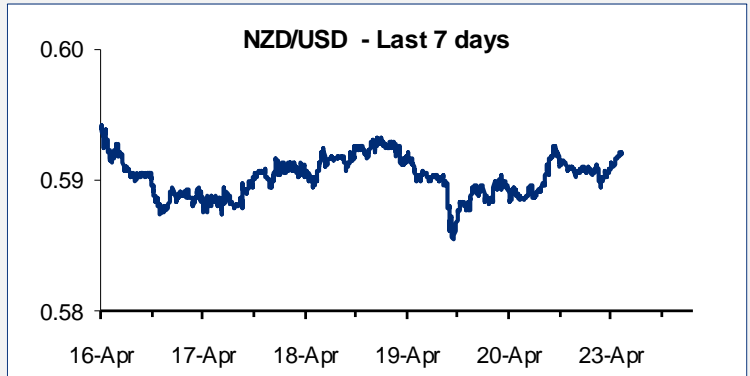
Source: Bloomberg, BNZ

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	0.5921	+0.6	0.5895	0.5923	CHF	0.9109	+0.1		S&P 500	5,028	+1.2	21.6	Oil (Brent)	87.07	-0.3
AUD	0.6452	+0.5	0.6425	0.6454	SEK	10.883	-0.4		Dow	38,367	+1.0	13.5	Oil (WTI)	82.85	-0.1
EUR	1.0659	+0.0	1.0624	1.0668	NOK	10.993	-0.2		Nasdaq	15,501	+1.4	28.4	Gold	2326.9	-3.0
GBP	1.2360	-0.1	1.2300	1.2385	HKD	7.836	+0.0		Stoxx 50	4,937	+0.4	12.0	HRC steel	843.0	+0.0
JPY	154.80	+0.1	154.60	154.85	CNY	7.244	+0.1		FTSE	8,024	+1.6	1.4	CRB	298.2	+0.9
CAD	1.3694	-0.4			SGD	1.362	+0.0		DAX	17,861	+0.7	12.5	Wheat Chic.	588.5	+3.8
NZD/AUD	0.9177	+0.0			IDR	16,237	-0.1		CAC 40	8,040	+0.2	6.1	Sugar	19.80	+0.4
NZD/EUR	0.5555	+0.5			THB	37.05	+0.6		Nikkei	37,439	+1.0	31.1	Cotton	80.04	+2.0
NZD/GBP	0.4790	+0.7			KRW	1,379	-0.2		Shanghai	3,045	-0.7	-7.8	Coffee	227.7	-1.8
NZD/JPY	91.66	+0.6			TWD	32.66	+0.4		ASX 200	7,649	+1.1	4.3	WM powder	3170	+0.0
NZD/CAD	0.8108	+0.1			PHP	57.55	-0.1		NZX 50	11,853	+0.5	-0.6	Australian Futures		
NZ TWI	70.37	+0.5						VIX Index	16.80	-10.2	+0.2	3 year bond	96.13	-0.06	
Interest Rates												10 year bond	95.69	0.00	
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	4.88	4.24	USD	4.62	0.00	15-May-26	4.94	0.06	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.37	4.15	4.52	AUD	4.32	0.06	15-Apr-27	4.79	0.07	BKBM 3-mth	5.65	0.01		
NZD	5.50	5.65	5.14	4.76	NZD	4.93	0.07	15-May-28	4.74	0.07	1 year	5.54	0.03		
EUR	4.00	3.89	3.29	2.79	GER	2.49	-0.01	20-Apr-29	4.73	0.07	2 year	5.14	0.05		
GBP	5.25	5.30	4.58	3.93	GBP	4.21	-0.03	15-May-30	4.76	0.07	3 year	4.90	0.05		
JPY	0.08	-0.03	0.38	0.97	JPY	0.89	0.04	15-May-31	4.80	0.07	5 year	4.71	0.05		
CAD	5.00	5.28	4.65	4.09	CAD	3.75	0.01	15-May-32	4.85	0.07	7 year	4.70	0.06		
						NZ Inflation-Indexed Bonds			14-Apr-33	4.88	0.07	10 year	4.76	0.06	
						Sep-30	2.51	0.04	15-May-34	4.93	0.07	15 year	4.89	0.06	
						Sep-35	2.83	0.04	15-May-35	4.99	0.07				
						Sep-40	3.02	0.04	15-May-37	5.08	0.07				
									15-May-41	5.19	0.07				
									15-May-51	5.18	0.07				
									15-May-54	5.20	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

23/04/2024 6:58 am		Prev. NY close
USD	0.5921	0.5888
GBP	0.4790	0.4760
AUD	0.9177	0.9174
EUR	0.5555	0.5526
JPY	91.66	91.05
CAD	0.8108	0.8097
CHF	0.5393	0.5359
DKK	4.1444	4.1231
FJD	1.3552	1.3474
HKD	4.6397	4.6119
INR	49.36	49.15
NOK	6.5092	6.4885
PKR	164.65	163.76
PHP	34.07	33.93
PGK	2.2479	2.2354
SEK	6.4436	6.4311
SGD	0.8062	0.8017
CNY	4.2889	4.2625
THB	21.90	21.70
TOP	1.4004	1.3838
VUV	72.82	72.35
WST	1.6289	1.6189
XPF	66.05	65.70
ZAR	11.3594	11.2480



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.11	0.21
3 Months	-0.26	0.40
6 Months	-0.99	0.01
9 Months	-2.29	-0.27
1 Year	-3.80	-0.79

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.52	-7.79
3 Months	-25.03	-23.58
6 Months	-48.62	-45.83
9 Months	-70.27	-65.06
1 Year	-89.06	-81.19

Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Stuart Ritson

Senior Interest Rate Strategist
+64 9 9248601

Mike Jones

BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington

Level 2, BNZ Place
1 Whitmore Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.