

29 March 2017

Events Round-Up

US: Adv. Goods Trade Bal. (\$b), Feb: -64.8 vs -66.6 exp.

US: Conf. Board Consumer Conf., Mar: 125.6 vs 114 exp.

Good Morning

Markets saw a strong reversal of yesterday's moves with a strong return of risk appetite. Equities and oil are higher. The S&P500 is currently up 0.9%. The US dollar and yields have lifted.

The US dollar first stabilised overnight, after its recent sell-off, and then started pushing higher supported by firm data and Fed speak. It is a change from the general downward direction over the past two weeks or so. The DXY US dollar index is up about 0.6% on the day and up 0.9% from yesterday's lows.

USD/JPY has punched 0.4% higher to be up through 111 early this morning. The pair currently sits around 111.10. The USD/CHF is up 0.7%, reflecting the risk-on tones, but also on comments from SNB board member Maechler saying the CHF is 'strongly' overvalued and the bank 'absolutely' has more intervention power. USD/CHF currently sits near 0.9930. EUR/USD has fallen 0.5%, opening this morning around 1.0810.

The 'Trump trade' might be struggling as US fiscal plans come under question, but it is important to note reflation was already underway before last November's US election and can continue without a large fiscal stimulus. It feels like the market is back in data watch mode. The problem is there has not been much data to watch. But what was on offer overnight all beat market expectations including the trade balance, house prices, wholesale inventories and consumer confidence.

US consumer confidence roared up to its highest level since December 2000. At 125.6 in March it blasted above expectations of 114.0. Even if consumers are a bit disappointed by the very latest political developments, there is plenty in this result to suggest that the US unemployment rate will track lower and spending higher.

Better US data helped support oil prices that were already rising on reports Libya was cutting shipments. WTI crude prices are currently up 1.3%.

AUD/USD pushed higher overnight supported by higher oil and a stabilisation in iron ore prices (up 0.5%). The pair nudged above 0.7650, before settling to around 0.7640 currently.

NZD couldn't keep pace with the strength in either the USD or AUD, not helped by wholemilk powder futures edging 1% lower. NZD/USD is down 0.4%, opening this morning around 0.7020. NZD/USD is in sight of last week's low just under 0.7000, with stronger support seen just under 0.6900.

NZD/AUD has pushed steadily lower through the night, currently sitting at its lows around 0.9190. The NZD underperformed despite an improvement in risk appetite, as the VIX fear index fell back below 12.

GBP has been under downward pressure all night and sits at the bottom of the leader board. GBP/USD is down 0.9% to around 1.2450. Focus will remain on the GBP as UK PM May is expected to trigger the Brexit process on Wednesday. In itself, this formal trigger is no big deal but from this point on expect some tough talking from EU leaders to begin. It's already started with a German lawmaker overnight noting that they expect Britain to honour its EU bills, whatever they add up to be. Meanwhile, the Scottish parliament has backed calls for a second independence referendum.

There has been lots of Fed speak over the past 24 hours but no change of tone. Fed Chair Yellen didn't comment directly on monetary policy overnight but did note pockets of 'persistently high' unemployment remain within the context of overall economic recovery. The Fed's George and Kaplan covered a lot of ground but ultimately talked of gradual removal of accommodation. Most direct, and most important, was Fed Vice Chairman Fischer speaking on CNBC saying two more rate hikes seems to be about right for 2017. This says that the Fed's current plan remains on track. Fischer's comments added gusto to the USD bid and added more support to US yields.

US Treasury yields were already in the ascendancy across the curve on the run of better than expected data but got another shunt higher following Fischer's comments. From lows of just under 2.36%, the 10-year yield pushed up through 2.41%, and back to around where they closed at the end of last week and still well within a familiar 2.30% to 2.60% range.

NZ yields consolidated yesterday, following the offshore-inspired dip on Monday. There was no follow through yesterday. The NZ 2-swap and NZ 5-year swap yields edged marginally higher but continued to linger near the bottom of their recent trading ranges at around 2.31% and 2.91% respectively. Some further upward pressure seems likely today, given offshore moves.

There is little on the data calendar to excite markets today,

so the triggering of Article 50 will no doubt hold attention with focus on response from across the channel.

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		Period	Cons.	Prev.	NZT
US	Fed's Powell Speaks				09:30
JN	Retail Trade YoY	Feb	0.7	1	12:50
US	Fed's Evans Speaks in Frankfurt				02:20
US	Pending Home Sales MoM	Feb	2.5	-2.8	03:00

Source: Bloomberg, BNZ

Coming Up

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	0.7014	-0.4	0.7007	0.7043	CHF	0.9927	+0.7	S&P 500	2,363	+0.9	16.0	Oil (Brent)	51.30	+1.1	
AUD	0.7635	+0.2	0.7588	0.7655	SEK	8.833	+0.5	Dow	20,724	+0.8	18.2	Oil (WTI)	48.36	+1.3	
EUR	1.0806	-0.5	1.0821	1.0873	NOK	8.534	+0.5	Nasdaq	5,885	+0.7	23.4	Gold	1248.5	-0.5	
GBP	1.2448	-0.9	1.2467	1.2596	HKD	7.768	+0.0	Stoxx 50	3,465	+0.8	16.0	HRC steel	643.0	-0.8	
JPY	111.12	+0.4	110.18	110.99	CNY	6.880	+0.1	FTSE	7,343	+0.7	20.3	CRB	184.2	+0.5	
CAD	1.3381	+0.0			SGD	1.397	+0.2	DAX	12,149	+1.3	23.3	Wheat Chic.	437.5	+0.6	
NZD/AUD	0.9187	-0.7			IDR	13,318	+0.1	CAC 40	5,046	+0.6	16.5	Sugar	17.56	-0.8	
NZD/EUR	0.6491	+0.1			THB	34.43	+0.2	Nikkei	19,203	+1.1	12.3	Cotton	76.88	-0.1	
NZD/GBP	0.5635	+0.5			KRW	1,113	+0.0	Shanghai	3,253	-0.4	11.4	Coffee	138.9	-0.3	
NZD/JPY	77.94	-0.0			TWD	30.20	-0.0	ASX 200	5,821	+1.3	16.3	W/M powder	2850.0	-1.0	
NZ TWI	76.27	+0.0			PHP	50.14	+0.1	NZX 50	7,065	+0.0	5.8	Australian Futures			
												3 year bond	98.02	-0.04	
												10 year bond	97.24	-0.01	
Interest Rates								NZ Government Bonds				NZ Swap Yields			
Rates		Swap Yields		Benchmark 10 Yr Bonds				Last				Last			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day									
USD	1.00	1.15	1.63	2.39	USD	2.412	0.03	NZGB 3 04/15/20	2.330	0.00	1 year	2.073	+0.00		
AUD	1.50	1.80	1.95	2.98	AUD	2.70	-0.01	NZGB 6 05/15/21	2.480	0.00	2 year	2.315	+0.00		
NZD	1.75	1.98	2.32	3.42	NZD	3.17	0.00	NZGB 5 1/2 04/15/23	2.780	0.00	5 year	2.908	+0.00		
EUR	0.00	0.06	-0.11	0.81	GER	0.39	-0.01	NZGB 2 3/4 04/15/25	3.075	0.00	7 year	3.165	+0.00		
GBP	0.25	0.34	0.65	1.27	GBP	1.19	0.03	NZGB 4 1/2 04/15/27	3.180	0.00	10 year	3.415	+0.00		
JPY	-0.04	0.01	0.05	0.25	JPY	0.06	0.00	NZGB 3 1/2 04/14/33	3.545	0.00	15 year	3.720	+0.00		
CAD	0.50	1.17	1.10	1.89	CAD	1.63	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 07:58

Source: Bloomberg

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