

Research Markets Today

9 May 2024

Events Round-Up

GE: Industrial production (m/m%), Mar: -0.4 vs. -0.7 exp.

Good Morning

Global markets were generally confined to narrow ranges in the absence of first-tier economic data or other catalysts. After four days of consecutive gains, the S&P was little changed in early afternoon trade. Equities in Europe remained well supported with key indices extending recent gains to fresh record highs. The FTSE was up 0.5% matching the gains for the region wide Stoxx 600. Global bond yields are modestly higher while the US dollar index was little changed.

Boston Fed President Collins signalled that rates would need to remain at an elevated level, for longer than previously thought, to reduce price pressures. She described policy settings as 'moderately restrictive' and that slower growth is required to achieve the central bank's 2% inflation target. The comments align with the recent tone from Fed officials and there was little market reaction.

US treasury yields traded modestly higher with the market absorbing US\$42 billion of 10-year supply. The auction had a 1bp tail and investors now look ahead to the US\$25 billion 30-year bond auction tomorrow. 10-year treasury yields are up 3bps to 4.49% with the front end little changed. European bonds closed higher in yield - 10-year bunds are up 4bps to 2.46%.

Bank of Japan (BoJ) Governor Ueda said he is carefully watching the impact of the weak yen on inflation and suggested large declines in the currency could bring forward the case for tighter BOJ monetary policy settings. This represents a change of tone and hints at greater coordination amongst policy makers to support the currency. However, the yen wasn't impacted by the comments and USD/JPY is back above 155. Since trading below 152 on Friday following unconfirmed intervention by the finance ministry USD/JPY has moved steadily higher.

The US dollar was broadly stable in overnight trade. The Swedish krone fell against the euro after the Riksbank cut rates for the first time since 2016 and signalled the potential for two more cuts in the second half of 2024. Outside of the yen, other major currencies were stable.

After dipping below 0.6000 in the local session yesterday, NZD/USD stabilised ahead of 0.5980 and has rebounded overnight. The NZD was broadly stable on the major crosses though NZD/JPY has continued to move higher, trading above 93.30, which is more than 2% above Friday's low.

NZ fixed interest yields declined in the local session yesterday reflecting moves in offshore markets. 10-year government bond yields reached the lowest level in nearly a month, before closing down 5bps at 4.67%, albeit off the yield lows for the day. The yield curve flattened with front end bonds ending unchanged on the day. Bonds continued to outperform swaps - 10-year asset swap spreads are at the bottom end of 10-25bps range that has contained price action through 2024.

Australian 10-year bond futures are ~4bps higher in yield overnight, suggesting an upward bias for NZ yields on the open.

New Zealand Debt Management are tendering NZ\$500 million of nominal NZGBs today split across May-30 (\$250m), May-32 (\$225m) and May-41 (\$25m). The May-41 maturity hasn't been tendered since early March and it is the first time NZ\$25 million of a nominal line has been tendered since 2009.

There is no domestic data today. Later this evening, the Bank of England (BoE) is unanimously expected to hold rates steady at 5.25%. It is likely to be another 8:1 split vote with one MPC member continuing to call for a rate cut. The BoE will release its inflation report containing updated economic projections. The market is pricing the first 25bps rate cut by August and about 55bps of easing by the end of the year.

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Coming Up

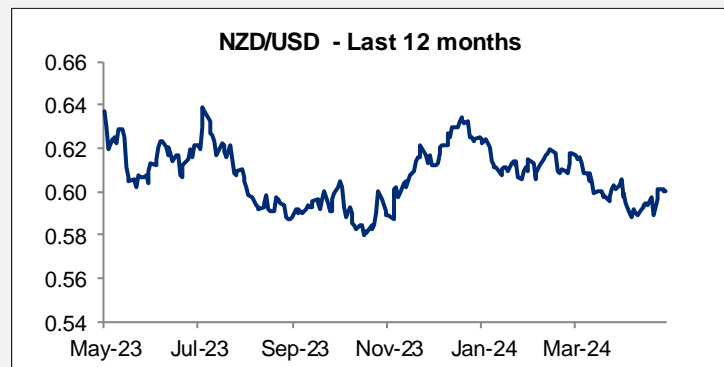
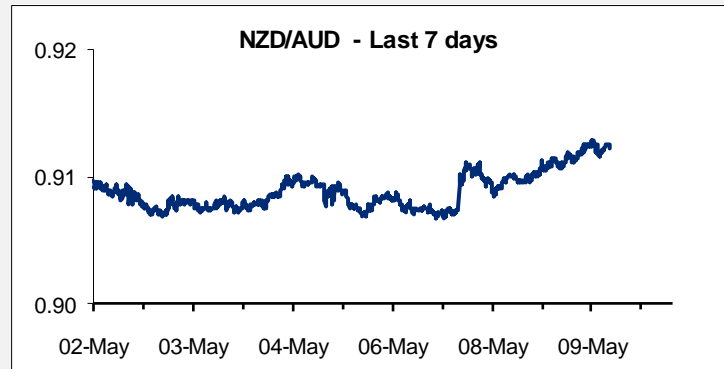
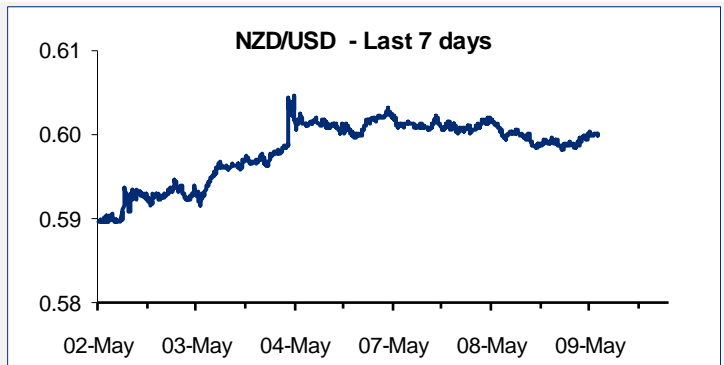
		Period	Cons.	Prev.	NZT
JN	Labor Cash Earnings (y/y%)	Mar	1.4	1.8	11:30
CH	Exports (USD y/y%)	Apr	1.3	-7.5	
CH	Imports (USD y/y%)	Apr	4.6	-1.9	
UK	Bank of England Bank Rate	May	5.25	5.25	23:00
US	Initial Jobless Claims (k)	May 4	213	208	00:30

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		% Year		Last	Net Day					
NZD	0.6001	-0.0	0.5981	0.6004	CHF	0.9079	-0.1	S&P 500	5,185	-0.0	25.3	Oil (Brent)	83.55	+0.4			
AUD	0.6577	-0.3	0.6558	0.6585	SEK	10.910	+0.5	Dow	39,028	+0.4	16.1	Oil (WTI)	78.97	+0.7			
EUR	1.0742	-0.1	1.0735	1.0758	NOK	10.912	+0.0	Nasdaq	16,303	-0.2	33.0	Gold	2320.7	-0.1			
GBP	1.2495	-0.1	1.2468	1.2505	HKD	7.817	-0.1	Stoxx 50	5,038	+0.4	15.9	HRC steel	780.0	-0.6			
JPY	155.59	+0.6	155.21	155.68	CNY	7.225	+0.1	FTSE	8,354	+0.5	7.4	CRB	289.6	+0.7			
CAD	1.3731	+0.0			SGD	1.356	+0.1	DAX	18,498	+0.4	16.0	Wheat Chic.	634.0	-1.5			
NZD/AUD	0.9124	+0.3			IDR	16,047	+0.0	CAC 40	8,131	+0.7	9.3	Sugar	19.60	-1.8			
NZD/EUR	0.5586	+0.1			THB	36.94	+0.2	Nikkei	38,202	-1.6	30.6	Cotton	77.00	+0.6			
NZD/GBP	0.4803	+0.1			KRW	1,364	+0.3	Shanghai	3,128	-0.6	-6.8	Coffee	197.6	+0.8			
NZD/JPY	93.37	+0.6			TWD	32.40	+0.1	ASX 200	7,804	+0.1	7.4	WM powder	3125	+1.8			
NZD/CAD	0.8240	-0.0			PHP	57.38	+0.2	NZX 50	11,783	-0.2	-0.9	Australian Futures					
NZ TWI	70.87	+0.1						VIX Index	13.11	-0.9	-22.8	3 year bond	96.07	-0.02			
Interest Rates												10 year bond			95.67	-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	5.58	4.75	4.11	USD	4.49	0.03	15-May-26	4.75	0.01	BKBM 1-mth	5.60	0.00				
AUD	4.35	4.38	4.25	4.54	AUD	4.29	-0.01	15-Apr-27	4.60	0.00	BKBM 3-mth	5.63	0.00				
NZD	5.50	5.63	5.00	4.56	NZD	4.67	-0.05	15-May-28	4.54	-0.01	1 year	5.42	-0.00				
EUR	4.00	3.79	3.28	2.75	GER	2.46	0.04	20-Apr-29	4.51	-0.01	2 year	5.00	0.00				
GBP	5.25	5.30	4.55	3.85	GBP	4.14	0.01	15-May-30	4.53	-0.02	3 year	4.72	0.00				
JPY	0.08	-0.03	0.36	0.97	JPY	0.88	0.01	15-May-31	4.57	-0.03	5 year	4.51	-0.01				
CAD	5.00	5.27	4.54	3.94	CAD	3.63	0.04	15-May-32	4.61	-0.04	7 year	4.49	-0.02				
						NZ Inflation-Indexed Bonds						10 year			4.56	-0.03	
												15 year			4.71	-0.03	
* These are indicative r 06:16						Sep-30			15-May-35								
please confirm rates with your BNZ dealer						Sep-35			15-May-37								
Rates are as of: NZT						Sep-40			15-May-41								
Source: Bloomberg									15-May-51								
									15-May-54								

NZD exchange rates

9/05/2024	6:16 am	Prev. NY close
USD	0.6001	0.6002
GBP	0.4803	0.4798
AUD	0.9124	0.9097
EUR	0.5586	0.5581
JPY	93.37	92.84
CAD	0.8240	0.8238
CHF	0.5448	0.5452
DKK	4.1664	4.1628
FJD	1.3651	1.3622
HKD	4.6909	4.6945
INR	50.12	50.13
NOK	6.5485	6.5470
PKR	165.72	167.04
PHP	34.44	34.35
PGK	2.2913	2.2891
SEK	6.5468	6.5178
SGD	0.8135	0.8130
CNY	4.3357	4.3326
THB	22.18	22.15
TOP	1.3982	1.4182
VUV	72.61	72.58
WST	1.6465	1.6344
XPF	66.80	66.73
ZAR	11.1461	11.1135

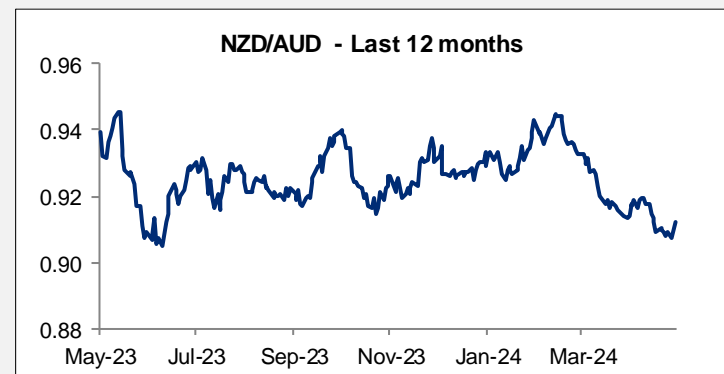


NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.11	0.10
3 Months	-0.38	0.24
6 Months	-0.84	0.21
9 Months	-1.79	0.85
1 Year	-1.97	1.03

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-9.41	-8.84
3 Months	-25.70	-24.34
6 Months	-45.34	-42.53
9 Months	-60.43	-54.52
1 Year	-70.61	-63.34



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