

## US employment keeps lifting, Chinese exports slump, global yields keep rising higher

**In US economic data**, Non-farm Payrolls (employment) rose by 379,000 in February, stronger than analysts' expectations which were centred on a +182,000 lift. The jobless rate fell from 6.3% to 6.2% and average hourly earnings rose 0.2%. Meanwhile the US trade deficit rose from US\$67 billion to US\$68.2bn in January.

**China's exports** fell in the two months of January-February when compared with the same period a year earlier. Overseas shipments fell 17.2%. Imports were down 4% on year-ago levels, better than market expectations of a 15% drop (Reuters).

**US sharemarkets rebounded** from lows in a volatile session on Friday. The better-than-expected lift in jobs buoyed investor sentiment. Mega-tech stocks rose, led by a 2.2% lift in shares of Microsoft. The Dow Jones index lifted by 572 points or 1.9% after trading in a 814 point range. The S&P 500 index rose by 2.0% and the Nasdaq index rose 1.6%. Over the week the Dow rose by 1.8%; the S&P 500 rose by 0.8%; but the Nasdaq fell by 2.1%.

**European sharemarkets** eased on Friday. Bond yields rose on inflation fears after the US employment data. The travel sector fell 4% and financials lost 2.5%. The pan-European STOXX 600 index lost 0.8% on Friday but rose 0.9% on the week. The German Dax index fell 1.0% despite a better than expected 1.4% rise in industrial orders. The UK FTSE index lost 0.3%.

**The NZSX 50** lost 0.4% on Friday, which leaves the benchmark over 10% down on its early January record. My Food Bag finished its first day trading almost 6% below the IPO offer price. **NZ Government bond yields** rose on Friday, with the 5-year yield up 5pts to 1.19%, and the 10-year yield up 8pts to 1.93%. The swap curve continued to steepen, with the 10-year rate up 6pts and the 2-year rate up 3pts on Friday. The RBNZ announced it will raise its bond purchases this week to NZ\$630mn from NZ\$570m last week. The RBNZ has so far accumulated NZ\$48.62bn as part of its NZ\$100bn QE programme. The move is aimed at containing the selloff (rise in yields) in the New Zealand bond market.

**Global oil prices** rose by 3.5-4.0% on Friday. Investors continued to react to the OPEC+ decision to raise output by just 150,000 barrels a day in April rather than forecasts of 1.5mbd. Brent crude rose 5% over the week to US\$69.36 a barrel.

**US longer-term treasuries** yields also pressed higher on Friday. US yields backed off highs as buyers stepped in and squared positions at the end of the week. US 2-year yields were flat near 1.4%. And US 10-year yields rose by 3pts to near 1.577% after hitting 1.625% in Friday trade. Over the week US 2-year yields rose by 1pt & US 10-year yields rose by 17pts.

**FX comment:** Major currencies were weaker against the US dollar in European and US trade on Friday. That left the NZD trading under 0.7200 against the USD at the start of this week. The AUD has been similarly weakening against the USD, leaving NZD/AUD around the 0.9325 level.

**Day ahead:** No major data is expected on Monday in NZ or Australia. **Week ahead local:** The March preliminary reading of ANZ's Business Outlook Survey is due on Tuesday. Business confidence remained broadly steady in early February, holding onto strong gains made in December. Business concerns have shifted from demand concerns, to cost pressures. We expect data on Wednesday to show another monthly fall in card spending in February. February is usually the peak month for overseas tourism and headwinds from the border restrictions are expected to be the most acute at this time of year. A small increase in February food prices is expected on Thursday, following on from the seasonal gains in January. **Week ahead offshore:** In China we expect CPI inflation to be negative in February (-0.4%) driven by falling food prices but rising oil prices will act as a partial offset (data Wednesday). In the US CPI is expected to lift by 0.4% in Feb propped up by surging gasoline prices. But the core CPI is forecast to lift by a more modest 0.2% (data Thursday). The ECB will meet and release its latest macroeconomic projections on Thursday. We do not expect any changes to monetary policy nor forward guidance. The UK's Jan GDP print (Friday) is expected to be weak, given the reimposition of Covid-related restrictions.

**Author:** [chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7165	0.0%	NZD/SEK	6.115	0.0%	NZX WMP	4210.0	0.2%	Dow	31496	1.9%
NZD/AUD	0.9327	0.0%	NZD/DKK	4.471	0.0%	Gold \$/o	1700.6	0.2%	S&P 500	3842	1.9%
NZD/EUR	0.6011	0.0%	NZD/THB	21.9	-0.3%	WTI Oil \$/b	66.1	3.5%	NASDAQ	12920	1.5%
NZD/JPY	77.65	0.0%	AUD/USD	0.7682	0.0%	<b>Money Market (%)</b>			FTSE	6631	-0.3%
NZD/GBP	0.5179	0.0%	EUR/USD	1.192	0.0%	90 Day BB	0.32	0.00	CAC-40	5783	-0.8%
NZD/CAD	0.9071	0.0%	USD/JPY	108.4	0.0%	OCR	0.25	0.00	DAX	13921	-1.0%
NZD/CHF	0.6661	-0.1%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	29098	-0.5%
NZD/HKD	5.562	-1.3%	NZ	1.93	0.08	1yr	0.38	0.02	Nikkei	28864	-0.2%
NZD/SGD	0.9613	0.0%	US	1.57	0.00	2yr	0.56	0.02	ASX200	6711	-0.7%
NZD/CNH	4.669	0.0%	Aust	1.85	0.06	5yr	1.28	0.03	NZX50	12180	-0.4%

## ASB Economics &amp; Research

ASB Economics & Research			Phone	Fax
Chief Economist	Nick Tuffley	<a href="mailto:nick.tuffley@asb.co.nz">nick.tuffley@asb.co.nz</a>	(649) 301 5659	(649) 302 0992
Senior Economist	Mark Smith	<a href="mailto:mark.smith4@asb.co.nz">mark.smith4@asb.co.nz</a>	(649) 301 5657	
Senior Economist	Mike Jones	<a href="mailto:mike.jones@asb.co.nz">mike.jones@asb.co.nz</a>	(649) 301 5661	
Senior Economist	Jane Turner	<a href="mailto:jane.turner@asb.co.nz">jane.turner@asb.co.nz</a>	(649) 301 5853	
Senior Economist, Wealth	Chris Tennent-Brown	<a href="mailto:chris.tennent-brown@asb.co.nz">chris.tennent-brown@asb.co.nz</a>	(649) 301 5915	
Economist	Nat Keall	<a href="mailto:nathaniel.keall@asb.co.nz">nathaniel.keall@asb.co.nz</a>	(649) 301 5720	
Publication and Data Manager	Judith Pinto	<a href="mailto:judith.pinto@asb.co.nz">judith.pinto@asb.co.nz</a>	(649) 301 5660	

ONE STEP AHEAD

Click here to read the latest  
ASB Economic Reports

<https://reports.asb.co.nz/index.html>

[@ASBMarkets](https://twitter.com/ASBMarkets)

ASB Economics  
ASB North Wharf, 12 Jellicoe Street, Auckland

## Important Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.