

Anti-climax

With nothing, nada, zero, zilch out on the data calendar yesterday or overnight, the US Fed minutes out at 6am this morning have been the big highlight for markets. Those minutes have been a highly anticipated event in light of the Fed's more hawkish (or if you prefer, less dovish) turn at the June meeting.

As it happened, those FOMC gave markets little new insight to chew over. In line with the Bank's slightly more hawkish tilt, the minutes showed "a substantial majority of [Fed members] judged that the risks to their inflation projections were tilted towards the upside," but that most "generally expected inflation to ease" once a few transitory factors had let up. On the all-important taper question, officials saw progressing in meeting the threshold to scale back purchases, but that was about it. Unsurprisingly, 'uncertainty' remained the watchword in much of the minutes, with Fed officials keen to note there is still a lot of water to pass under the bridge.

The other development in the world of central banking we've had overnight, is the news that the ECB has agreed to raise its inflation target to 2% and allow a bit of overshoot if necessary. It's a departure from the current 'close to, but below 2%' target as the bank seeks to stimulate the European recovery.

With no 'smoking tapering gun' in the FOMC, minutes Treasury yields are lower, but not dramatically so. As at the time of writing, the 10-year yield sits around 1.315%, with some modest curve flattening overnight. Similar themes have been evident across much of the European bond market overnight.

Market sentiment has otherwise been supportive, with equities generally in the green. As at the time of writing, the Dow is up 0.3% and the S&P500 up 0.38%, while the Nasdaq has underperformed slightly, up just 0.02%. Most European share indices have also enjoyed broad gains.

The ongoing volatility in commodity markets is continuing but shows little sign of spreading into markets more broadly. After their gains amid the OPEC stoush earlier in the week, energy commodity prices are losing ground with Brent Crude now down to \$US73.22 a barrel. Copper and Nickel have also noticeably dipped.

Local Recap: There were a few wobbles across Asia yesterday, with share indices mixed amid concerns around virus variants and a Chinese crackdown on the technology sector. The NZX50 was middle of the pack, easing 0.09%. Both NZ and Aussie yields have pared back gains with a bit of curve flattening underway, reversing some of their earlier gains in the aftermath of the RBA statement.

FX Comment: There have been few sudden moves for currency markets overnight, but the NZD has generally been supported, gaining against the rest of the G10. NZD/USD is currently in the middle of its 0.699-0.706 overnight range, with NZD/AUD toward the upper end of its 0.935-0.938 range.

Day ahead: Once again, there's nothing whatsoever out locally or across the Tasman. The latest US jobless claims data is the only real highlight overnight (mkt: 350k). **Author:** nathaniel.keall@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7013	0.0%	NZD/SEK	6.043	0.3%	NZX WMP	3770.0	-3.3%	Dow	34679	0.3%
NZD/AUD	0.9370	0.2%	NZD/DKK	4.418	0.2%	Gold \$/o	1804.3	0.4%	S&P 500	4359	0.4%
NZD/EUR	0.5941	0.2%	NZD/THB	22.7	0.3%	WTI Oil \$/b	72.2	-1.6%	NASDAQ	14672	0.1%
NZD/JPY	77.55	0.0%	AUD/USD	0.7484	-0.1%	Money Market (%)			FTSE	7151	0.7%
NZD/GBP	0.5080	0.0%	EUR/USD	1.180	-0.2%	90 Day BB	0.34	-0.01	CAC-40	6528	0.3%
NZD/CAD	0.8755	0.3%	USD/JPY	110.6	0.0%	OCR	0.25	0.00	DAX	15693	1.2%
NZD/CHF	0.6487	0.1%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	27961	-0.4%
NZD/HKD	5.448	0.0%	NZ	1.76	-0.06	1yr	0.60	0.02	Nikkei	28367	-1.0%
NZD/SGD	0.9457	0.1%	US	1.31	-0.03	2yr	0.89	0.01	ASX200	7327	0.9%
NZD/CNH	4.540	0.2%	Aust	1.40	-0.08	5yr	1.37	0.02	NZX50	12748	-0.1%

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