

## Sharemarket slump continues

**US sharemarkets** fell on Friday with nine of 11 S&P sectors weaker. Shares in sportswear maker, Under Armour, slumped 23.8% after downgrading profit expectations. The Dow Jones fell 0.3%. The S&P 500 index fell 0.6%. And the Nasdaq index lost 1.4% to a 2-year low. Over the week the Dow and the S&P 500 fell by just 0.2% and the Nasdaq shed 1.5%. Stocks have fallen for five straight weeks - the longest losing sequence in 11 years.

**European sharemarkets** were weaker on Friday. Technology shares fell 2.8% and retailers lost 2% but oil and gas rose 0.5%. Adidas shares fell 3.6% after lowering sales expectations for 2022. Shares in Dutch bank, ING lost 4.7% in response to disappointing quarterly income. The pan-European STOXX 600 index fell by 1.9% and fell 4.5% over the week - the biggest weekly decline in 2 months. The German Dax lost 1.6% and the UK FTSE fell by 1.5% on Friday.

**In US economic data, Non-farm Payrolls** (jobs) rose by 428,000 in April, stronger than surveyed expectations centred on a 391,000 increase. The jobless rate was unchanged at 3.6% (survey: 3.5%). Average weekly earnings rose 0.3% in April (survey: +0.4%) and fell from an annual rate of 5.6% to 5.5% as expected.

**Global oil prices** rose by around 1.3% on Friday on impending European Union sanctions on Russian oil imports. The Brent crude price rose by US\$1.49 or 1.3% to US\$112.39 a barrel and was up 2.8% over the week.

**The New Zealand sharemarket** fell 1.2%, to 11,609. **Local bond yields** rose on Friday, with the 10-year Government bond yield at 3.80% (+5bps).

**FX Comment:** Major currencies were mixed against the US dollar in European and US trade on Friday night, but a strong USD remains the main FX theme. The DXY USD ended the week just shy of a 20-year high set earlier in the session. The strong USD means NZD/USD starts the week trading near 0.6400. On Friday, the AUD and Australian yields ignored the RBA May Statement on Monetary Policy. The RBA radically upgraded its forecast profile for underlying inflation indicating more rate hikes are in the pipeline, following last Tuesday's 0.25% lift in the RBA's cash rate. The NZD has been weakening against the AUD and starts the week near 0.9060.

**Day ahead:** There is no NZ or Australian economic data due today. In China, international trade data is released. In the US, data on consumer inflation expectations is issued.

**Week ahead local:** On Tuesday we expect an April bounce to card spending as spending starts to recover from the Omicron-impacted weak February and March months. MBIE card spending revealed a boost in international card spending in NZ from returning kiwis given the easing border restrictions, with local holiday destinations also benefitting from the two long weekends last month. April increases in income support would have provided a welcome boost to lower income households. We expect another seasonal lift in April's food prices on Thursday, with the cooler weather, lagged impact of higher food commodity prices (that are now easing) and the April increase in the minimum wage key catalysts. This should keep annual food price inflation above 7%, with food price inflation expected to remain elevated over 2022. Also on Thursday, we get the latest RBNZ survey of expectations. The last few RBNZ surveys have seen chunky quarterly increases in inflation expectations, with inflation expectations for both the 1-year (4.4% in Q1 survey) and 2-year ahead horizon (3.27%) hitting 30-year highs. With annual headline inflation now just a shade under 7% (as opposed to just under 6% at the time of the Q1 survey), we could well see further lifts in expectations for these shorter-term horizons.

**Week ahead offshore:** An interesting thing to watch for this week in Australia will be the impact on consumer sentiment from last Tuesday's rate hike. The Westpac / Melbourne Institute survey is released on Wednesday and will cover last week's mood. The level of the index last month was already low compared to the starting point of previous rate hike cycles (below 100, the number separating optimists from pessimists). Our colleagues at CBA expect a fall this month given the rate hike came earlier than expected and prior RBA guidance. We have also seen confidence for mortgage holders deteriorate in recent months. US inflation data is released on Wednesday. With petrol prices stabilising in April after a recent surge, we expect headline CPI could be pulled down modestly to 8.2%/yr. But rents and employment costs are rising strongly, keeping core inflation very high. Q1 22 GDP data for the UK should show a lift of 0.9%/qtr on Thursday. We do expect GDP growth to slow with recent rate hikes. Inflation data for China is expected to lift to 1.8%/yr due to high energy prices (Wednesday). China's CPI has remained low compared to high income Western economies.

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Currencies			Currencies			Commodities			Equities		
NZD/USD	0.6414	0.1%	NZD/SEK	6.369	-0.2%	NZX WMP	3750.0	0.0%	Dow	32899	-0.3%
NZD/AUD	0.9064	0.1%	NZD/DKK	4.521	0.0%	Gold \$/o	1883.8	0.4%	S&P 500	4123	-0.6%
NZD/EUR	0.6076	-0.1%	NZD/THB	22.0	0.0%	WTI Oil \$/b	109.8	1.4%	NASDAQ	12145	-1.4%
NZD/JPY	83.61	0.0%	AUD/USD	0.7077	0.1%	<b>Money Market (%)</b>			FTSE	7388	-1.5%
NZD/GBP	0.5190	0.0%	EUR/USD	1.055	0.1%	90 Day BB	2.12	0.00	CAC-40	6258	-1.7%
NZD/CAD	0.8262	-0.1%	USD/JPY	130.3	-0.2%	OCR	1.50	0.00	DAX	13674	-1.6%
NZD/CHF	0.6339	0.1%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	20002	-3.8%
NZD/HKD	5.035	0.1%	NZ	3.80	0.05	1yr	3.36	-0.03	Nikkei	27004	0.7%
NZD/SGD	0.8887	0.1%	US	3.13	0.09	2yr	3.89	-0.05	ASX200	7206	-2.2%
NZD/CNH	4.309	0.0%	Aust	3.47	0.08	5yr	4.06	-0.03	NZX50	11609	0.0%

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