

## Back the truck up

**There's been a classic flip-flop overnight. The recent trends for weaker stocks, higher yields, and a stronger USD were all thrown into reverse.** There's been no over-riding catalyst for the moves, perhaps highlighting the role of investor positioning in driving some of the recent volatility.

**US bond yields are lower (10-year down 6bps to 1.54%), which has helped pause the stronger USD trend.** As a result, all of the major FX pairs have recovered some lost ground, with the NZD/USD up 40 points or so to 0.7160. In keeping with the reversal theme, global sharemarkets are higher, with US tech stocks leading the way. The NASDAQ has bounced sharply (circa 4%) after falling into "correction" territory (10% fall from recent peaks) in the latter stages of last week. The usual 'big tech' suspects – Apple, Tesla, Amazon, Facebook et al. – have all recovered strongly.

**There's been a couple of positive snippets of news that may have helped sentiment** at the margin. The US House looks set to pass President Biden's US\$1.9b COVID stimulus plan as soon as tonight, meaning it could be signed into law this week. The OECD also released its latest global forecasts which delivered some big upgrades as the global vaccine rollout and US stimulus plan were incorporated. The world economy is now forecast to expand 5.6% this year, and 4.0% next – noticeably brighter than prior forecasts of 4.2% and 3.7%. The US received one of the larger forecast upgrades.

**The main 'news' in yesterday's March preliminary ANZ business confidence survey was the ongoing march higher in inflation indicators.** Surveyed pricing intentions and costs rose to fresh record highs, portending a surge in inflation over the first half of this year. The RBNZ has already told us it will 'look through' any such temporary spike, but the cost squeeze is a clear headwind for corporate profitability (profit expectations fell further in the survey). Measures of business confidence were roughly unchanged on our seasonally-adjusted estimates.

**The business sentiment vibe appears a little perkier across the Tasman.** Australia's NAB business sentiment survey remains consistent with encouraging economic activity. Business confidence rose in February to a multi-year high and business conditions improved to the highest since August 2018. The AUD/USD has been amongst the outperforming currencies overnight past 24 hours, squeezing NZD/AUD back below 0.9300.

**For NZD/USD, we highlighted 0.7100 as a key support level** in our FX weekly. This level was tested and again held yesterday, setting the stage for the currency's recovery to around 0.7160. We remain of the view the balance of risks around the NZD/USD are tilted to the upside, with USD-centred position squaring likely a key factor in the recent pull-back.

**Day ahead:** We're expecting another small fall (1.5% mom) in NZ retail card spending figures (10:45am), this time for February. February is the peak month for overseas tourism and changes in Alert Levels during the month wouldn't have done the sector any favours either.

A speech from RBA Governor Lowe at 11am (NZT) will be scrutinised for any hints about the RBA's policy outlook, particularly yield curve control (YCC). Our CBA colleagues expect the RBA to remove the yield target under YCC in the second half of this year. Australia also has March consumer sentiment figures at 1:30pm (NZT) which should remain close to 10-year highs. Later this afternoon, Chinese CPI at 2:30pm (NZT) is expected to fall further into the negatives (-0.4% yoy, market -0.3%). Tonight, we look for a decent lift in US inflation to 1.7% yoy thanks to rising gas prices.

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Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7167	0.4%	NZD/SEK	6.094	-0.4%	NZX WMP	4275.0	0.0%	Dow	32065	0.8%
NZD/AUD	0.9289	-0.2%	NZD/DKK	4.480	0.1%	Gold \$/o	1717.2	2.0%	S&P 500	3903	2.1%
NZD/EUR	0.6024	0.1%	NZD/THB	22.0	0.4%	WTI Oil \$/b	64.0	-1.6%	NASDAQ	13126	4.1%
NZD/JPY	77.71	0.1%	AUD/USD	0.7716	0.7%	<b>Money Market (%)</b>			FTSE	6730	0.2%
NZD/GBP	0.5156	0.0%	EUR/USD	1.190	0.4%	90 Day BB	0.32	0.00	CAC-40	5925	0.4%
NZD/CAD	0.9059	0.3%	USD/JPY	108.4	-0.4%	OCR	0.25	0.00	DAX	14438	0.4%
NZD/CHF	0.6652	-0.3%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	28773	0.8%
NZD/HKD	5.563	-1.3%	NZ	1.88	0.00	1yr	0.37	0.00	Nikkei	29028	1.0%
NZD/SGD	0.9632	0.0%	US	1.54	-0.05	2yr	0.55	-0.01	ASX200	6771	0.5%
NZD/CNH	4.670	0.1%	Aust	1.79	0.01	5yr	1.26	-0.01	NZX50	12145	0.5%

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