

## Howzat!

**NZ Cricket fans** didn't have to stay up late last night, as the Black Caps quickly wrapped up the second test in the UK morning. The Black Caps won the test, and the series with the win, and are also now the world's top ranked test team.

**The latest G7 Leaders Summit** took place in the UK over the weekend. It was the first Summit for Joe Biden as the US President. "The bottom line is, I was very pleased with the outcome of the entire conference," Biden said at a closing news conference overnight, adding "I think we made some progress in re-establishing American credibility among our closest friends and our values." Source Bloomberg.

**UK real GDP** expanded by 2.3% in April (consensus: +2.4%), the fastest monthly growth since July 2020. Services output was the main engine of growth in April as coronavirus restrictions eased. Overall, UK economic slack is diminishing rapidly with the level of GDP just 3.8% below the levels seen in February 2020.

**US equities were mixed on Friday.** Over the past week the Dow slipped 0.8% but the S&P500 was up 0.4% and the NASDAQ gained 1.8%. The S&P500 closed at a record high on Friday. US 10-year yields were back down around 1.45% on Friday, at levels last traded in early March.

**The NZ sharemarket** was up 0.3% on Friday, and 0.4% over the week. The **NZ 10-year Government bond yield** dropped 20 basis points over the past week, including a 5 basis point drop on Friday.

**FX comment:** With Australian markets closed to observe the Queen's birthday, we are expecting a quiet start to the week. However, there is the potential for a bit more volatility later in the week, particularly on Thursday with the FOMC announcement and NZ GDP both released in the morning. NZD starts the week trading towards the bottom of its recent range, at 0.7130.

**Day ahead:** There are no data releases in NZ or Australia today. Monday is a public holiday in Australia, as the country observes the Queen's birthday.

**Week ahead local:** The next Global Dairy Trade event takes place on Tuesday night. We expect data on Thursday to show NZ Q1 GDP lifted 0.8% qoq (mkt: +0.5% qoq), as strong spending by NZ households likely offset the loss of spending by international tourists. NZ quarterly GDP is still surprisingly volatile and tricky to forecast - our final Q1 forecast of +0.8% qoq is considerably stronger than our initial view a few months ago which was for a small decline. The RBNZ will reduce its Large Scale Asset Purchase programme this week to NZ\$220m, the lowest weekly buying pace since the start of the programme in March 2020. This is consistent with the RBNZ's acknowledgment in May that the programme may not reach the NZ\$100bn limit by June 2022.

**Week ahead international:** The RBA June meeting Minutes (14 June) and a speech by RBA Governor Philip Lowe (16 June) will be keenly watched by market participants this week. The Australian May labour force report is scheduled for Thursday. The US FOMC will meet to discuss monetary policy in the week ahead (Thursday morning NZT). We expect the FOMC to leave the Fed Funds rate, asset purchases and forward guidance unchanged at the June meeting. We also expect the FOMC will stress the recent acceleration in prices will prove transitory. The FOMC's updated forecasts will be closely analysed. We think modest upward revisions are possible. However, there is a risk a few more FOMC members signal a 2023 start to the tightening cycle in the dot plots. We expect US retail sales were flat again in May (data out Tuesday night NZT). The monthly Chinese "data dump" is on Wednesday. We expect fading base effects to see annual growth in all three key activity indicators slow. We expect retail sales to grow by 15%/yr in May, supported by holiday spending over the Labor Day holiday. Industrial production growth may ease to 9.5%/yr. Foreign demand remains resilient. We expect year-to-date fixed asset investment growth may slow to 17.5%/yr. **Author:** [chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7130	0.0%	NZD/SEK	5.931	-0.1%	NZX WMP	4100.0	0.0%	Dow	34480	0.0%
NZD/AUD	0.9259	0.0%	NZD/DKK	4.379	0.0%	Gold \$/o	1877.5	-1.1%	S&P 500	4247	0.2%
NZD/EUR	0.5888	0.0%	NZD/THB	22.2	0.0%	WTI Oil \$/b	70.9	0.9%	NASDAQ	14069	0.4%
NZD/JPY	78.17	0.0%	AUD/USD	0.7700	-0.1%	<b>Money Market (%)</b>			FTSE	7134	0.6%
NZD/GBP	0.5054	0.0%	EUR/USD	1.211	0.0%	90 Day BB	0.32	0.01	CAC-40	6601	0.8%
NZD/CAD	0.8674	0.0%	USD/JPY	109.6	0.0%	OCR	0.25	0.00	DAX	15693	0.8%
NZD/CHF	0.6411	0.1%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	28842	0.4%
NZD/HKD	5.533	0.0%	NZ	1.64	-0.05	1yr	0.36	-0.01	Nikkei	28949	0.0%
NZD/SGD	0.9454	0.0%	US	1.45	0.02	2yr	0.52	-0.02	ASX200	7312	0.1%
NZD/CNH	4.560	0.0%	Aust	1.50	0.00	5yr	1.17	-0.03	NZX50	12550	0.3%

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