

No surprises from the RBNZ

The RBNZ left policy levers unchanged and maintained its dovish tone at yesterday's Monetary Policy Review. With no updated forecasts to have a butcher's at (we'll have to wait for the next quarterly Monetary Policy Statement in May for those), markets digested the usual one-page meeting summary. **The bank acknowledged the improving global outlook and pockets of inflation, but emphasised it remains a long way off its employment and inflation targets, pressing home the point that policy tightening is some way off.** There were no changes to any policy settings – for those who have lost count, that means the OCR still at 0.25%, LSAP cap at \$100bn, and no changes to the FLP scheme.

Elsewhere, the RBNZ highlighted ongoing uncertainty and remains ready to act with more stimulus if need be. The Bank suggested it sees little change in its growth outlook from the February MPS, but noted 'economic uncertainty remains elevated,' and short-term data remains 'highly variable.' The RBNZ wouldn't really be drawn on the impact of the trans-Tasman travel bubble or the government's housing policy changes, saying that both would need time to be observed. **All-up, we expect the OCR to remain on hold until August 2022 at least, but the balance of probabilities skews to a later date, given the RBNZ's cautious approach and all the water still to flow under the bridge.** You can read our full write-up [here](#).

Market reaction to the MPR was modest. In contrast to the February MPS, the bond market (somewhat) took the dovish cue this time around, with yields ticking down and the curve under flattening pressure (NZ 10-year: 1.674%). Movements in swap yields were muted. The NZD/USD lifted modestly on the announcement, but has continued to climb higher overnight, currently trading around 0.714. The NZX50 managed a 0.75% lift over the day. Other data out in Australasia yesterday was second tier. Here in Godzone, net migration figures were modest at 674 (mkt: 631). Aussie consumer confidence data was also released, which showed sentiment at a 11-year high.

Overnight, key events included the latest Fed Beige Book, as well as a series of central bank comments. Comments from Fed Chair Jerome Powell had little new information, reiterating no rate hikes were likely before 2022, headwinds to growth remain, and the bank will taper bond purchases before adjusting policy rates. Comments from New York Fed President Williams were of a similar ilk, emphasising the US economy remains some way off its maximum employment target.

In contrast to the domestic moves yesterday, North American and European bond yields were higher across the board. Markets largely ignored the dovish comments from Powell & co, with a steepening bias in the US curve (10-Year: 1.63%). Similar themes were evident in European yields.

It was a mixed session for sharemarkets overnight, as some equity indices eased off recent record highs. On Wall Street, the Dow Jones edged up 0.1%, while the S&P 500 fell 0.3% and the Nasdaq dropped 1.0% thanks to underperforming tech shares.

FX update: With commodity prices enjoying broad gains overnight, commodity currencies were well placed to benefit. The NZD and AUD were the strongest performers overnight, whilst the USD underperformed. The NZD/USD advanced on its modest post-RBNZ gains to trade around 0.714 – its highest level since before the Government's announced housing policy changes at the end of March. There was modest movement in the NZD/AUD, up around 0.924.

Day ahead: The key event today is the Aussie employment data, which our CBA friends expecting an unemployment rate of 5.6% and an above-market 45k lift in employment. Here in NZ, the latest REINZ house sales data are out at 9am for March, and we expect them to be robust. The only other domestic release is NZ food price data, released at 10.45am. Overnight, there is a glut of US data on the cards, with March retail sales (mkt: +5.8% mom), March industrial production (mkt: +2.5% mom), weekly jobless claims (mkt: 700k) and the latest Philadelphia Fed Business Outlook. **Author:** nathaniel.keall@asb.co.nz

| Currencies | | | Commodities | | | Equities | | | | | |
|------------|--------|-------|------------------------------|--------|-------|---------------------------|--------|-------|---------|-------|-------|
| NZD/USD | 0.7140 | 1.2% | NZD/SEK | 6.042 | 0.6% | NZX WMP | 4115.0 | -0.2% | Dow | 33717 | 0.1% |
| NZD/AUD | 0.9241 | 0.1% | NZD/DKK | 4.433 | 0.9% | Gold \$/o | 1736.5 | -0.5% | S&P 500 | 4131 | -0.3% |
| NZD/EUR | 0.5961 | 0.9% | NZD/THB | 22.3 | 1.7% | WTI Oil \$/b | 63.1 | 4.9% | NASDAQ | 13860 | -1.0% |
| NZD/JPY | 77.77 | 0.9% | AUD/USD | 0.7726 | 1.1% | Money Market (%) | | | FTSE | 6940 | 0.7% |
| NZD/GBP | 0.5181 | 1.0% | EUR/USD | 1.198 | 0.2% | 90 Day BB | 0.32 | 0.01 | CAC-40 | 6209 | 0.4% |
| NZD/CAD | 0.8941 | -1.0% | USD/JPY | 108.9 | -0.1% | OCR | 0.25 | 0.00 | DAX | 15209 | -0.2% |
| NZD/CHF | 0.6587 | 1.4% | 10 Yr Bond Yields (%) | | | ASB Swap Rates (%) | | | H.Seng | 28901 | 1.4% |
| NZD/HKD | 5.545 | -1.6% | NZ | 1.69 | -0.05 | 1yr | 0.34 | 0.00 | Nikkei | 29621 | -0.4% |
| NZD/SGD | 0.9539 | 0.8% | US | 1.63 | 0.02 | 2yr | 0.44 | 0.00 | ASX200 | 7023 | 0.7% |
| NZD/CNH | 4.664 | 0.9% | Aust | 1.76 | -0.06 | 5yr | 1.05 | -0.01 | NZX50 | 12751 | 0.8% |

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