

## NZD/JPY climbing likes it's 2015

- **The NZD/USD surged around ¾ cent overnight in a table-topping performance.** It currently trades around 0.6950 – the highest since November. Still, NZD/JPY was the strongest performing NZD pair. It's up almost two figures for the night to around 84.00 – a 7-year high. The AUD and GBP have been the other two strongest performing currencies of the night, with JPY and USD bringing up the rear.
- **The NZD gains are all attributable to firmer global risk appetite.** Global equity markets climbed 0.5-1.8% across Europe and the US, on little fresh news. The VIX index (a proxy for risk aversion) fell from 24% to below 23% and bond yields are up strongly for the second night running following the Fed chair's extremely hawkish speech of the night before. US 10-year yields rose another 7bps, bringing the month-to-date gain to a whopping 54bps.
- **Smoothing through some of the daily chop, financial market sentiment has been on a tentative recovery path since mid-March.** The S&P500 is now up about 8% from its lows and the VIX index is about 14 percentage points off its highs. The rally in the NZD/USD that began in early February is now worth around four cents. All of this is not bad going, and perhaps slightly surprising, giving the fiercely hawkish turn from the Fed (with attendant surge in interest rates) and the lack of any material break-through in Russia-Ukraine ceasefire talks.
- **Assisting the overnight lift in bond yields, the Fed's Bullard was back on the wires flashing his hawkish stripes.** He advocated for a "faster is better" approach to lifting rates and reiterated that he'd like to see the Fed Funds rate above 3% this year, implying a few 50bps lifts through the year. The market now prices consecutive 50bps Fed hikes as the most likely outcome from the next two meetings.
- **Yesterday's Westpac survey showed NZ consumer confidence getting crunched.** Headline consumer sentiment fell to 92.1 – the lowest since 2008. It was a big fall but not entirely unexpected given the plunge in the more timely ANZ consumer confidence measure. But it nevertheless highlighted the abrupt changing of the guard in NZ growth drivers this year – less consumer strength, more export strength. Higher mortgage rates and the soaring cost of living are stiff headwinds for the retail sector.
- **There was another jump in NZ local wholesale interest rates yesterday,** thanks to the big lift in global rates the night before. The 2-year swap yield rose just over 10bps, to 3.13%, with the 10-year up 5bps to 3.44%. Both amount to fresh multi-year highs but we're likely to see additional gains on the open this morning following last night's global lifts in bond yields.
- **Day ahead:** The quiet data week continues with UK inflation figures the only release of any substance tonight. Markets are braced for a lift from 5.5% to 6.0% y/y, with core inflation expected to rise to 5.0%. There's a few more Fed officials due to speak but we think markets have now got the message (rates are going up, and fast) such that they shouldn't be market moving.
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Currencies			Commodities			Equities					
NZD/USD	0.6955	1.1%	NZD/SEK	6.5794	0.7%	CRB Index	299.562	2.5%	Dow	34748	0.6%
NZD/AUD	0.9330	0.3%	NZD/NOK	6.1028	1.4%	NZX WMP	NZ	NA	S&P 500	4505	1.0%
NZD/EUR	0.6309	1.0%	NZD/THB	23.32	1.0%	Gold \$/o	1923.94	-0.6%	NASDAQ	14089	1.8%
NZD/JPY	83.96	2.1%	AUD/USD	0.7454	0.8%	WTI Oil \$/b	110.2	-1.7%	FTSE	7477	0.5%
NZD/GBP	0.5248	0.3%	EUR/USD	1.1024	0.1%	<b>NZD Swap Rates (%)</b>			DAX	14473	1.0%
NZD/CAD	0.8753	1.0%	USD/JPY	120.73	1.0%	OCR	1.00	0.00	CAC-40	6659	1.2%
NZD/CHF	0.6488	1.0%	<b>10 Yr Bond Yields (%)</b>			3mth	1.59	0.03	H.Seng	21889	3.1%
NZD/HKD	5.4433	1.1%	NZ	3.29	0.13	1yr	2.60	0.04	Nikkei	27224	1.5%
NZD/SGD	0.9436	1.0%	US	2.36	0.07	2yr	3.14	0.03	ASX200	7341	0.9%
NZD/DKK	4.6939	1.0%	Aust	2.73	0.14	5yr	3.38	0.02	NZX50	12205	0.0%

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