

Sharemarkets continue their comeback

Market sentiment has been well in positive territory overnight, typified by broad gains for equities, higher commodity prices and a weaker USD.

Global sharemarkets have continued their comeback, with Wall Street enjoying its largest two-day rally in a couple of months. As at the time of writing, the S&P 500 is up 1.44%, the Dow has gained 1.56% and the Nasdaq is 1.09% higher. Equities are mostly stronger in Europe too, with the exception of the UK, where the Bank of England has been meeting (more on that below).

Bond yields are also up by a considerable margin. US Treasury yields are higher and the curve steeper in the aftermath of the more hawkish Fed meeting yesterday morning, with the 10-year yield up a sizable 10bps. Similar trends are evident across the board elsewhere in North America and Europe.

The Bank of England meeting overnight has rounded out our week of big central bank meetings, leaving policy settings unchanged for now but with two of its nine Monetary Policy Committee members voting to halt asset purchases (up from one at its last meeting). Its another sign of the gradual march towards a tighter monetary policy globally.

In line with the risk-on tilt, the traditional safe-haven currencies USD, JPY and Swiss Franc were the worst performers overnight. NZD and AUD are mostly stronger against their G10 peers. NZD/USD gained nearly a cent overnight and is currently trading around 0.708. NZD/AUD has made more modest gains and is trading at 0.970 as at the time of writing.

Data Wrap: US jobless claims a bit higher than forecast (+351k vs mkt: 320k). US PMIs mostly in line with expectations and relatively little changed, but well in expansionary territory.

Local Recap: Another day of thin volumes and little data flow on the local front. Equities were up a shade (+0.68%) while NZ government bond yields fell amid a \$500m tender by NZDMO. Swap pricing continues to point to circa 50bps of OCR hikes by year end (a view we share). Over in Aussie, PMIs lifted a bit, but remain weak with much of the country still under significant COVID restrictions.

Ahead: NZ monthly trade data are out today (not yesterday, as reported in our last Daily Alert), but will have no market implications given weekly data have already been released by Stats NZ. There's nothing out in Aussie and the data calendar is similarly quiet in the US and Europe.

Over the weekend Germany goes to the polls, in arguably the globe's most important election since last year's US Presidential contest. With Angela Merkel retiring after 16(!) years in charge, polls suggest her coalition partners, the centre-left Social Democrats (SPD) will be the largest party. A changing of the guard could offer some scope for reform of Germany's hard debt limit (i.e. more spending) and perhaps more joint European borrowing akin to the COVID package, though in practice there is likely to be a lot of continuity. Author: nathaniel.keall@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7074	1.0%	NZD/SEK	6.101	0.1%	NZX WMP	3770.0	0.0%	Dow	34799	1.6%
NZD/AUD	0.9685	0.1%	NZD/DKK	4.479	0.5%	Gold \$/o	1749.1	-1.1%	S&P 500	4456	1.4%
NZD/EUR	0.6023	0.5%	NZD/THB	23.6	0.8%	WTI Oil \$/b	73.5	1.5%	NASDAQ	15069	1.2%
NZD/JPY	78.01	0.2%	AUD/USD	0.7304	0.9%	Money Market (%)			FTSE	7078	-0.1%
NZD/GBP	0.5152	0.2%	EUR/USD	1.175	0.5%	90 Day BB	0.62	0.00	CAC-40	6702	1.0%
NZD/CAD	0.8949	0.1%	USD/JPY	110.3	0.4%	OCR	0.25	0.00	DAX	15644	0.9%
NZD/CHF	0.6537	0.8%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	24511	1.2%
NZD/HKD	5.507	1.0%	NZ	1.89	-0.04	1yr	1.09	-0.01	Nikkei	29639	-0.7%
NZD/SGD	0.9539	0.6%	US	1.41	0.11	2yr	1.42	-0.01	ASX200	7370	1.0%
NZD/CNH	4.570	0.5%	Aust	1.26	0.00	5yr	1.79	0.01	NZX50	13306	0.0%

ASB Economics & Research		Phone	Fax
Chief Economist	Nick Tuffley	nick.tuffley@asb.co.nz	(649) 301 5659
Senior Economist	Mark Smith	mark.smith4@asb.co.nz	(649) 301 5657
Senior Economist	Mike Jones	mike.jones@asb.co.nz	(649) 301 5661
Senior Economist	Jane Turner	jane.turner@asb.co.nz	(649) 301 5853
Senior Economist, Wealth Economist	Chris Tennent-Brown	chris.tennent-brown@asb.co.nz	(649) 301 5915
	Nat Keall	nathaniel.keall@asb.co.nz	(649) 301 5720



<https://reports.asb.co.nz/index.html>

[@ASBMarkets](#)

ASB Economics
ASB North Wharf, 12 Jellicoe Street, Auckland

Important Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.