

## I'm Waiting for the Man

**Overnight movements in financial markets have been small**, despite a decent amount of news flow. In the hallowed words of Lou Reed it seems investors are 'waiting for the man' with Jay Powell due to announce the FOMC's latest policy decision in just under 24 hours' time. There are also some heavy-weight earnings reports awaited with Microsoft and Alphabet (Google) due to report after the bell.

The eyes of the world are on the unfolding tragedy in India, as COVID cases skyrocket and shortages of medical equipment, particularly oxygen, make treatment difficult. Another 360,000 new cases were officially reported yesterday, and 3,200 deaths. US President Biden announced India will be the first recipient of the US' vaccine export programme. 60 million doses of the Astra Zeneca vaccine have been allocated under the programme. COVID trends in most other parts of the world are going the 'right' way at present. For example, new cases in Europe fell last week for the first time in two months.

The overnight data highlight was the US April Conference Board consumer confidence index, which soared to a 14-month high, joining a swathe of other data pointing to booming conditions in the US economy. The rapid vaccination programme, easing lockdown conditions, and massive fiscal stimulus are proving to be powerful tailwinds.

Still, financial markets took the data largely in their stride. US Treasury yields are a little higher (10-year +4bps at 1.61%) but stock markets are flattish (S&P500 +0.1%). Commodity prices continue to trend higher as the global reflation trade continues. Oil prices are up 2% to US\$63.20 for WTI crude but the more eye-catching movement has been in iron ore, where prices hit a fresh all-time high just under US\$194/tonne. Strong Chinese demand remains a feature of the market amid restricted Chinese supply.

**FX comment:** Despite the firm commodity price backdrop, both the AUD and NZD have spent the past 24 hours dribbling lower. Currency movements overall have been small though, with NZD/USD only 30 pips or so below yesterday's 1½ month high around 0.7240. We suspect there will be more consolidation today leading into the Aussie CPI at 1:30pm, where the risks are tilted towards a supportive outcome for NZD and AUD.

**Day ahead:** Aussie CPI figures today for the March quarter are expected to show headline inflation lifting from 0.9% to 1.4% yoy. Our friends at CBA forecast an above-market 1.6% yoy which, if realised, would be supportive of the AUD (and NZD). As usual there will also be interest in the RBA's trimmed mean (core) inflation measure which is expected to lift a more contained 0.6% qoq (1.3% annual).

Tomorrow morning brings the data highlight of the week in the form of the US FOMC policy announcement. We don't expect any of policy settings to be altered. Fed chair Powell will no doubt again do his best to hold back the tide of speculation about when and how the great stimulus unwind will begin. Expect more emphasis on the still-fragile US labour market and the fact the pick-up in inflation is expected to be transitory.

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Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7207	-0.4%	NZD/SEK	6.033	-0.4%	NZX WMP	4115.0	0.0%	Dow	33985	0.0%
NZD/AUD	0.9279	0.0%	NZD/DKK	4.433	-0.4%	Gold \$/o	1776.5	-0.3%	S&P 500	4191	0.1%
NZD/EUR	0.5961	-0.5%	NZD/THB	22.6	-0.5%	WTI Oil \$/b	62.9	1.7%	NASDAQ	14090	-0.3%
NZD/JPY	78.37	0.2%	AUD/USD	0.7767	-0.4%	<b>Money Market (%)</b>			FTSE	6945	-0.3%
NZD/GBP	0.5183	-0.4%	EUR/USD	1.209	0.0%	90 Day BB	0.35	0.00	CAC-40	6274	0.0%
NZD/CAD	0.8938	-0.3%	USD/JPY	108.8	0.6%	OCR	0.25	0.00	DAX	15249	-0.3%
NZD/CHF	0.6587	-0.4%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	28942	0.0%
NZD/HKD	5.594	-0.4%	NZ	1.61	0.01	1yr	0.37	0.00	Nikkei	28992	-0.5%
NZD/SGD	0.9558	-0.3%	US	1.62	0.06	2yr	0.47	0.00	ASX200	7034	-0.2%
NZD/CNH	4.670	-0.4%	Aust	1.74	-0.02	5yr	1.05	0.01	NZX50	12621	-0.2%

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