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There was little news in yesterday's OCR decision by the RBNZ. The Bank left the cash rate unchanged at 5.5%, as virtually all economists and the wider financial market had anticipated. The Bank's accompanying comments also explicitly acknowledged that it felt "*the balance of risks was little changed since the February [MPR].*" There still looks to be a proverbial 'high hurdle' to shifts in the OCR in either direction. All of this seems reasonable enough in our view, given the lack of a smoking gun in the last six weeks to prompt much of a policy shift. Our best guess is still that the first cut of the cycle could come in November.

With little grist from the RBNZ to prompt a vast shift in pricing in either direction, financial markets mostly took yesterday's decision in their stride. Market expectations still have the OCR ending the year around 4.89%, a grand total of 1bps or so below where they were yesterday. Broader NZ GB yields eased about 6-8bps over the curve, while swap yields ranged from little changed in the front end of the curve to about 4bps lower in the long end.

NZD found some support in the aftermath, with NZD/USD slightly stronger and the ever-rates sensitive NZD/AUD gaining a third of a cent. A decline in sentiment overnight (more below) has since seen the Kiwi shed some of those gains, currently trading around 0.5980 against USD. NZD/AUD has retained the bulk of its gains to currently trade at 0.9170.

Overnight, the Central Bank meetings have continued, with the Bank of Canada also opting to keep its policy rate unchanged at 5%. The tone of its statement looks to have been pretty similar to the RBNZ's, with the Bank viewing inflation as still too high, but moving slowly in the right direction. 'We are seeing what we need to see, but we need to see it for longer' was the line from Governor Tiff Macklem. Analysts have floated June as a more likely commencement date for the first cut of the cycle in Canada.

In the US, the latest batch of inflation data has continued to underline the stubbornness in core inflation. Core inflation rose 0.4% over the month to keep the annual rate unchanged at +3.8% yoy, marginally higher than the consensus forecast of a 0.3% monthly lift and a +3.7% annual figure. The annual shift in the headline CPI was also a shade stronger than anticipated, at +3.5% versus the consensus forecast of +3.4%. A range of service prices are proving time-consuming to come down, underlining the risk that the Fed needs to keep rates at current levels for longer than markets have been hoping.

The stronger US CPI print has pushed yields higher. Short term yields shot up markedly, with the US 2-year Treasury 22bps higher as of the time of writing to about 4.96%. Moves in longer term yields have been substantial too though, with the 10-year Treasury yield up 18bps to 4.55%. Pricing has also moved such that markets now think the first Fed cut is unlikely to come by August (circa 20% odds priced), with September now viewed as the more likely kick off.

Unsurprisingly, the sharemarket wasn't enamoured with the news or the subsequent jump in yields. The Dow eased 1.1% over the session, the S&P500 fell 0.8% and the Nasdaq dropped 0.5%. Hopes interest rates are nearing a peak have previously been a major boon for sharemarkets over the past quarter, which has seen equities lift more than 10%.

Day ahead: Chinese inflation data is today's highlight, with our CBA colleagues projecting producer prices to fall by around -3.0% yoy and consumer prices to lift 0.5% yoy. Continued softness in Chinese goods production prices is one thing helping reduce goods inflation globally.

Overnight, the European Central Bank meets, with policy once again expected to remain unchanged. The ECB have flagged June as a more likely kick off for rate cuts, which will give them time to assess another batch of wage data. Markets put the odds of a move overnight at less than 10%, but the odds of a June cut at close to 90%.

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Currencies

NZ TWI	70.55	-1.11%
NZD/USD	0.5975	-1.40%
NZD/AUD	0.9173	0.33%
NZD/EUR	0.5561	-0.38%
NZD/JPY	91.36	-0.65%
NZD/GBP	0.4764	-0.33%
NZD/CAD	0.8173	-0.62%
NZD/CHF	0.5455	-0.37%
NZD/HKD	4.682	-1.34%
NZD/SGD	0.809	-0.72%
NZD/CNH	4.34	-1.06%
NZD/SEK	6.406	0.16%
NZD/DKK	4.149	-0.36%
NZD/THB	21.93	-0.38%
AUD/USD	0.6514	-1.73%
EUR/USD	1.075	-1.03%
USD/JPY	153	0.79%

Source: Macrobond, ASB

Commodities

NZX WMP	3280	0.00%
Gold \$/Oz	2332	-0.87%
WTI Oil \$/bbl	85.23	-1.39%

Source: Macrobond, ASB

Rates

NZ OCR	5.50	0.00
NZ 90 Dy Bnk Bll	5.63	0.00
NZ One Yr Swap	5.38	0.02
NZ Two Yr Swap	4.93	-0.03
NZ Five Yr Swap	4.44	-0.04
NZ 10 Year GB	4.64	-0.08
US 10 Year GB	4.55	0.19
AU 10 Year GB	4.12	-0.05

Source: Macrobond, ASB

Equities

Dow Jones	38462	-1.09%
S&P 500	5161	-0.95%
NASDAQ	16170	-0.84%
FTSE	7961	0.33%
CAC-40	8045	-0.05%
DAX	18097	0.11%
Hang Seng	17139	1.85%
Nikkei	39582	-0.48%
ASX 200	7848	0.31%
NZX 50	11972	0.00%

Source: Macrobond, ASB

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