

Australian CPI Dampens Chances of RBA Rate Hike - NZDUSD

bucked the trend overnight, as most other currencies managed to retrace some of their declines against the USD. The pair hit fresh lows around the 0.71125 mark after it gapped lower through the 0.72000 level over the weekend. The strength in the USD is continuing to make its mark, but after large moves, a retracement could be on the cards. US Treasuries declined a little overnight, halting the slide in FX. WTI has moved back higher after declining early yesterday in response to US Rig count data on Friday. Equity Indices advanced overnight as the risk-on theme continues.

Australian Consumer Price Index (QoQ) (Q1) came in at 0.4% v an expected 0.5%, from 0.6% previously. RBA Trimmed Mean CPI (QoQ) (Q1) came in as expected at 0.5%, from a prior 0.4%. This data has been declining and continued to do so this quarter, showing some weakness in the economy, meaning the RBA will be unlikely to raise rates soon. AUDUSD bounced from a low of 0.75784 to 0.76132 in response, after sliding lower due to USD strength in the build-up to the release. However, AUD should weaken as rate hikes are delayed. German Markit Manufacturing PMI (Apr) was 58.1 v an expected 57.5, from 58.2 previously. Markit Services PMI (Apr) was 54.1 v an expected 53.7, from 53.9 previously. Markit PMI Composite (Apr) was 55.3 v an expected 54.8, from 55.1 prior. The expectation was for a slip in these data points but, instead, the data beat expectations. The economists will be hoping that these data points can build a base here and recover after dipping for the last 3 months, albeit from high

levels. EURUSD fell from a high of 1.22835 to a low of 1.22259 following this data release, as the USD strengthened. Eurozone Markit Manufacturing PMI (Apr) was 56.0 v an expected 56.1, from 56.6 previously. Markit Services PMI (Apr) was 55.0 v an expected 54.6, from 54.9 previously. Markit PMI Composite (Apr) was 55.2 v an expected 54.9, from 55.2 prior. The manufacturing data continued to decline but Services and Composite beat expectations. This can potentially point to a bottom over the short term but US sanctions may have a knock-on effect for businesses that deal with Russian companies, e.g. Aluminium manufactures. EURGBP fell from 0.87620 to a low of 0.87444 after the data release hit the markets. US Existing Home Sales (MoM) (Mar) was 5.60M v an expected 5.55M, against 5.54M previously. After reaching a seven-year high in November at 5.81M, this data point had slipped lower over the following two months, signalling a little softness in the sector, but had recovered somewhat last month. The recovery continued with this reading, as activity picks up heading into summer. USDJPY continued its rise as the data was released, moving from 108.366 to 108.454. EURUSD is up 0.05% overnight, trading around 1.22151. USDJPY is up 0.08% in early session trading at around 108.790. GBPUSD is up 0.03% this morning, trading around 1.39441. Gold is up 0.17% in early morning trading at around \$1,326.70. WTI is up 0.25% this morning, trading around \$69.08. Important Forex News

Today's important market news

Time: GMT

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- ||| 08:00  IFO - Current Assessment

 - ||| 08:00  IFO - Business Climate

 - ||| 08:00  IFO - Expectations

 - ||| 08:30  Public Sector Net Borrowing

 - ||| 13:00  S&P/Case-Shiller Home Price Indices (YoY)

 - ||| 13:00  Housing Price Index (MoM)

 - ||| 14:00  New Home Sales (MoM)

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