

Market Alert

Friday 16 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6107	-0.0007
NZD/AUD	0.9373	-0.0059
NZD/JPY	91.62	-2.61
NZD/EUR	0.5676	-0.0051
NZD/GBP	0.4850	-0.0010
NZD/CNH	4.4097	-0.0574
AUD/USD	0.6515	0.0033
AUD/EUR	0.6051	-0.0017
EUR/USD	1.0762	0.0082
USD/CNH	7.2180	-0.0854
GBP/USD	1.2588	0.0010
EUR/GBP	0.8547	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.78%	4.40%
2 year swap	5.13%	4.01%
10 year Govt	4.85%	4.22%

The global slowdown!

Yesterday saw confirmation that the Japan's economy had unexpectedly slipped into recession after GDP contracted at an annualized pace of -0.4% in Q4 2024, while the previous quarter was also revised lower to -3.3% as both households and businesses cut spending for a third straight quarter. This saw Japan's economy slipped to fourth in the 'who is the largest' competition in USD terms, with Germany moving up to 3rd. But let's be honest, looking at the top 4, the US, China, Germany, and Japan, it's fair to say the 3 or the 4 are going backwards at a fast pace with only the US economy performing well.

The EU confirmed their economy entered 2024 on a weaker footing than expected, and as a result they lowered

their GDP outlook by 0.4% to 0.8% for the Euro-area. After narrowly avoiding a recession H2 2023, it is anticipated that all countries within the zone will grow in 2024, although it will be largely benign. On a positive note, they also revised their inflation forecast lower to 2.7% in 2024 and to 2.2% in 2025. On a side note, the Eurozone posted a EUR16.8bn trade surplus in December.

The UK economy also officially entered a recession after Q4 GDP contracted -0.3%, which was worse than the expected -0.1% and follows on from Q3's -0.1% decline.

The headline data from the US wasn't that good either, although I believe there are some mitigating elements. US retail sales contracted at their fastest pace since March 2023 falling -0.8% in January, which was worse than the forecast -0.1% fall, while the December number was revised down to 0.4% rise in December. But from what I understand the US consumer is moving away from purchasing goods to purchasing experiences which is hard to pick up in the data. Essentially, Americans are buying tickets to Taylor Swift shows rather than flat screen TV's, which is probably bad news for China as that's where the TVs are made. US industrial production also eased -0.1% in January, missing market expectations of a 0.3% bounce, although there was one positive after initial claims eased -8k to 212k although continuing claims exceed expectations printing at 1,895k.

Looking at the Antipodeans, Australian

consumer inflation expectations remained steady at their 2-year low of 4.5% in February, but we can't say the same about the unemployment rate after it climbed to a 2-year high at 4.1% in January, from 3.9% in the prior month. The participation rate was unchanged at 66.8% with just 0.5k workers added to the workforce.

In New Zealand, net migration was up for the month December to 7260, way above Novembers 2740 and also exceeding estimates of 6780. Tourist arrivals also rocketed upward for the month of December by 14.8% compared to the previous December, with the gains mostly coming from Australia.

Simply put, FX markets were quiet with the NZD and AUD a touch firmer, as are equity and commodity markets, which naturally saw bond yields ease back.

As I type ...

... RBNZ Governor Adrian Orr, acknowledged, "A flexible approach to inflation targeting, with a medium-term focus, remains appropriate. Bringing levels of core inflation in line with our 1.0%-3.0% target is an important part of bringing inflation back to its 2.0% midpoint. We have got more work to do to get inflation expectations anchored to 2.0%. The removal of the MSE objective does not mean any big changes to our monetary policy strategy."



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.60					CAD	0.8234	0.8786
NZD/USD	0.6109	0.0000	-0.0002	-0.0007	-0.0026	CHF	0.5374	0.5735
NZD/AUD	0.9375	-0.0009	-0.0027	-0.0059	-0.0114	CNY	4.3783	4.6718
NZD/JPY	91.64	-0.43	-1.29	-2.61	-5.10	DKK	4.2294	4.5120
NZD/EUR	0.5677	-0.0007	-0.0023	-0.0051	-0.0119	FJD	1.3514	1.4417
NZD/GBP	0.4853	-0.0001	-0.0004	-0.0010	-0.0029	HKD	4.7754	5.0944
						KRW	812.70	867.00
AU TWI	60.80					MYR	2.9179	3.1129
AUD/USD	0.6515	0.0006	0.0018	0.0033	0.0050	NOK	6.4347	6.8646
AUD/NZD	1.0664	0.0009	0.0030	0.0064	0.0121	SEK	6.3887	6.8155
AUD/JPY	97.72	-0.37	-1.10	-2.19	-4.33	SGD	0.8219	0.8769
AUD/EUR	0.6051	-0.0002	-0.0006	-0.0017	-0.0056	TWD	19.13	20.41
AUD/GBP	0.5174	0.0004	0.0011	0.0021	0.0030	ZAR	11.58	12.35
USD Index	104.34					EQUITIES		
EUR/USD	1.0762	0.0012	0.0038	0.0082	0.0180		Index	
USD/JPY	149.94	-0.70	-2.08	-4.10	-7.75	NZX50	11,640	
GBP/USD	1.2588	0.0002	0.0006	0.0010	0.0012	ASX200	7,606	
EUR/GBP	0.8547	0.0008	0.0027	0.0059	0.0128	Dow Jones	38,357	
						S&P 500	5,025	
INTEREST RATES			New Zealand		Australia	FTSE100	7,598	
			Mid		Mid	DAX 30	17,047	
30 day bank bills			5.63%		4.35%	Nikkei	38,158	
90 day bank bills			5.74%		4.40%	COMMODITIES		
1 year swap			5.68%		4.22%		USD	
2 year swap			5.15%		4.03%	Brent Crude	82.86	
3 year swap			4.84%		3.94%	Gold	2,003.85	
5 year swap			4.62%		4.14%	Silver	22.90	
10 year swap			4.62%		4.42%	Iron Ore	129.10	
3 year Govt bond			4.89%		3.82%	CRB Index	310.80	
5 year Govt bond			4.72%		3.90%		NZD	
10 year Govt bond			4.85%		4.27%	NZ Carbon	69.75	

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