

# Market Alert

Tuesday 20 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6143	-0.0006
NZD/AUD	0.9364	-0.0058
NZD/JPY	92.26	-2.62
NZD/EUR	0.5700	-0.0051
NZD/GBP	0.4875	-0.0009
NZD/CNH	4.4315	-0.0582
AUD/USD	0.6536	0.0033
AUD/EUR	0.6063	-0.0017
EUR/USD	1.0777	0.0082
USD/CNH	7.2120	-0.0875
GBP/USD	1.2593	0.0010
EUR/GBP	0.8555	0.0057

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.75%	4.39%
2 year swap	5.18%	4.03%
10 year Govt	4.93%	4.26%

## Even though financial markets were quiet due to the US holiday...

... New Zealand households took a sucker punch after the ratings agency S&P Global Ratings revised down their long-term ratings outlook on 15 local councils and 2 council-controlled organizations from stable to negative as, "Sector debt has risen rapidly since the pandemic as councils grapple with large infrastructure needs and persistent inflation in operating and capital budgets. Rising infrastructure budgets and responsibilities are exerting pressure on the finances of NZ's local governments. Revenues and central government grants are not rising enough to cover this additional spending. This is leading to widening revenue and expenditure mismatches, as seen in large deficits and rising debt compared with similar systems."

At least there was some positive news after NZ services PMIs returned to expansion territory with its highest PMI reading since May 2023 after the index firmed from 48.8 to 52.1. Conversely, the BusinessNZ manufacturing index printed at 47.3 in January which, on a positive note, is a strong increase on December's 43.1 in what was the index's highest level of activity since June, but it remains in contractionary territory. Meanwhile, another one of the local banks has pushed the timing of its first RBNZ rate cut, to November, from August. While Fonterra, after failing to find a buyer, has announced its going to merge its New Zealand and Australian businesses to form Fonterra Oceania.

## In terms of real news ...

... there isn't much to report with the US holiday, but this is the best we can come up with ...

Equity markets were a 'mixed bag' overnight with the major bourses ranging between -0.25% to 0.50%, as were commodity markets. Bond markets were also quiet, although yields continued their recent directional bias firming 0.9% in the 2-yrs and 6bps in the 10-yrs to yield 4.66% and 4.30% respectively, although the USD-index eased a touch, which saw NZD/USD and AUD/USD firm towards their short-term highs with the NZD out-performing, which saw NZD/AUD return to the 0.9400 level.

Chinese travel and spending during the Lunar New Year holiday topped pre-Covid levels with some 474 million tourist undertaking domestic vacations, which was up 19% on 2019 levels, although I suspect if you looked at the international numbers it was the complete opposite. Speaking of the re-opening, Chinese stocks climbed 1.2% on their first full trading following the holiday, although the rally was to some extent capped after disappointing property sales over the past week while China's current account surplus sharply decreased to USD55.2bn in Q4 from USD103.1bn on the same period in 2022. Finally, Chinese banks extended a record CNY4.92trn in new yuan loans in January, slightly above the previous record of CNY4.9trn set 12-months ago.

But at least the Australian trade surpluses are holding up ... following the scrapping of trade tariffs, Australian barley sales to China have soared with 90% of its exports heading north in December.

Should we be worried? In a research note, Deutsche Bank analysts highlighted that the 'Magnificent 7's' combined market cap alone would make it the 2nd-largest stock exchange in the world ... which has raised concentration concerns!



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# Daily Rates

Tuesday 20 February 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.00					CAD	0.8287	0.8819
NZD/USD	0.6145	0.0000	-0.0001	-0.0006	-0.0023	CHF	0.5420	0.5769
NZD/AUD	0.9370	-0.0008	-0.0028	-0.0058	-0.0112	CNY	4.4209	4.7039
NZD/JPY	92.28	-0.41	-1.30	-2.62	-5.12	DKK	4.2479	4.5197
NZD/EUR	0.5701	-0.0007	-0.0023	-0.0051	-0.0117	FJD	1.3567	1.4435
NZD/GBP	0.4878	-0.0001	-0.0004	-0.0009	-0.0027	HKD	4.8046	5.1120
						KRW	819.64	872.08
AU TWI	61.30					MYR	2.9388	3.1268
AUD/USD	0.6536	0.0006	0.0018	0.0033	0.0052	NOK	6.4425	6.8547
AUD/NZD	1.0637	0.0009	0.0030	0.0063	0.0119	SEK	6.3924	6.8014
AUD/JPY	98.16	-0.36	-1.10	-2.21	-4.36	SGD	0.8267	0.8795
AUD/EUR	0.6063	-0.0002	-0.0006	-0.0017	-0.0054	TWD	19.28	20.51
AUD/GBP	0.5187	0.0004	0.0011	0.0022	0.0031	ZAR	11.64	12.39
USD Index	104.26					<b>EQUITIES</b>		
EUR/USD	1.0777	0.0012	0.0040	0.0082	0.0179		<b>Index</b>	
USD/JPY	150.15	-0.67	-2.08	-4.09	-7.79	NZX50	11,653	
GBP/USD	1.2593	0.0002	0.0006	0.0010	0.0015	ASX200	7,665	
EUR/GBP	0.8555	0.0008	0.0027	0.0057	0.0127	Dow Jones	38,628	
						S&P 500	5,006	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,729	
			<b>Mid</b>		<b>Mid</b>	DAX 30	17,092	
30 day bank bills			5.63%		4.35%	Nikkei	38,470	
90 day bank bills			5.71%		4.39%	<b>COMMODITIES</b>		
1 year swap			5.69%		4.22%		<b>USD</b>	
2 year swap			5.19%		4.05%	Brent Crude	83.41	
3 year swap			4.89%		3.97%	Gold	2,017.62	
5 year swap			4.68%		4.17%	Silver	22.96	
10 year swap			4.72%		4.45%	Iron Ore	129.29	
3 year Govt bond			4.91%		3.82%	CRB Index	313.66	
5 year Govt bond			4.76%		3.90%		<b>NZD</b>	
10 year Govt bond			4.93%		4.27%	NZ Carbon	69.25	

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