

Market Alert

Wednesday 21 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6167	-0.0007
NZD/AUD	0.9364	-0.0059
NZD/JPY	92.50	-2.62
NZD/EUR	0.5707	-0.0052
NZD/GBP	0.4886	-0.0010
NZD/CNH	4.4424	-0.0604
AUD/USD	0.6550	0.0033
AUD/EUR	0.6059	-0.0018
EUR/USD	1.0807	0.0083
USD/CNH	7.2016	-0.0901
GBP/USD	1.2620	0.0009
EUR/GBP	0.8562	0.0056

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.75%	4.38%
2 year swap	5.13%	3.98%
10 year Govt	4.91%	4.27%

International News

The Eurozone current account surplus surprised to the upside overnight, posting a strong result of EUR32.0 billion, a large increase from the last print of EUR22.5 billion which may mean that the eurozone economy is doing better than expected. This led to Euro strength and caused the US dollar index to drop below the 104.00 level, which allowed the kiwi to post modest gains overnight, to be currently at 0.6168.

The yield on the US 10-year Treasury bond also edged lower to 4.25%. Investors now seem to be assigning a 53% chance of a 25bps cut at the Fed's meeting in June.

North of the border, the annual inflation rate in Canada fell more than expected to 2.9% in January, down from 3.4% the previous month, coming in well below market expectations of a 3.3% reading. Core inflation, which strips out volatile prices including fuel, also came in lower than expected at 3.2%, and may prompt the Bank of Canada to reconsider when the expected rate cutting cycle may begin. At this point economists believe June will be the most likely date for a first cut.

The PBoC has made an historic cut to its reference rate for mortgages, cutting the 5-year rate by 25bps from 4.20% to 3.95%. This was the first rate cut since June 2023 and the largest since the rate was introduced in 2019, in an attempt to spur credit demand and reverse a property downturn. The 1-year rate remains unchanged at 3.45% going against the consensus forecast drop of 15bps. This leaves both rates at record lows. Previously mentioned USD weakness has served to keep the USD/CNH rate relatively unmoved around the 7.20 level, but the NZD/CNH rate has increased from 4.42 up to 4.44.

Commodity Markets

Last night's GDT auction continued the recent theme of good news for dairy farmers, as the GDT index retained its upward trend, this time increasing by a modest 0.5%, however there were some

notable price movements. Going against the trend WMP decreased 1.8%, while SMP was up 1.3% and Cheddar was down -7.6%.

Elsewhere in commodity markets, steel rebar futures fell 3.2% to a 4-month low in February, amid concerns for low demand in China's construction sector. Average new daily home sales plummeted by 34% from a year earlier in major Chinese cities. WTI crude futures also fell toward USD77.00 per barrel; this time it seems to be connected to fears of prolonged high interest rates impacting market consumption, but of course there is always the back drop of geopolitical tensions in the Middle East and beyond.



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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	72.10					CAD	0.8340	0.8860
NZD/USD	0.6169	0.0000	-0.0001	-0.0007	-0.0026	CHF	0.5434	0.5775
NZD/AUD	0.9370	-0.0009	-0.0028	-0.0059	-0.0116	CNY	4.4380	4.7143
NZD/JPY	92.52	-0.42	-1.30	-2.62	-5.15	DKK	4.2529	4.5169
NZD/EUR	0.5708	-0.0007	-0.0023	-0.0052	-0.0121	FJD	1.3803	1.4660
NZD/GBP	0.4888	-0.0001	-0.0004	-0.0010	-0.0030	HKD	4.8229	5.1224
						KRW	822.47	873.55
AU TWI	61.30					MYR	2.9571	3.1407
AUD/USD	0.6550	0.0006	0.0018	0.0033	0.0051	NOK	6.4709	6.8728
AUD/NZD	1.0616	0.0009	0.0030	0.0063	0.0125	SEK	6.3915	6.7884
AUD/JPY	98.24	-0.36	-1.10	-2.19	-4.33	SGD	0.8285	0.8799
AUD/EUR	0.6059	-0.0002	-0.0006	-0.0018	-0.0056	TWD	19.39	20.59
AUD/GBP	0.5190	0.0004	0.0011	0.0021	0.0031	ZAR	11.67	12.40
USD Index	104.04					EQUITIES		
EUR/USD	1.0807	0.0012	0.0040	0.0083	0.0181		Index	
USD/JPY	149.94	-0.68	-2.07	-4.07	-7.75	NZX50	11,571	
GBP/USD	1.2620	0.0002	0.0006	0.0009	0.0019	ASX200	7,659	
EUR/GBP	0.8562	0.0008	0.0027	0.0056	0.0123	Dow Jones	38,554	
						S&P 500	4,963	
INTEREST RATES			New Zealand		Australia	FTSE100	7,719	
			Mid		Mid	DAX 30	17,068	
30 day bank bills			5.64%		4.35%	Nikkei	38,364	
90 day bank bills			5.71%		4.38%	COMMODITIES		
1 year swap			5.68%		4.19%		USD	
2 year swap			5.17%		4.00%	Brent Crude	82.18	
3 year swap			4.86%		3.92%	Gold	2,027.21	
5 year swap			4.63%		4.13%	Silver	23.07	
10 year swap			4.67%		4.42%	Iron Ore	129.29	
3 year Govt bond			4.89%		3.80%	CRB Index	313.66	
5 year Govt bond			4.74%		3.89%		NZD	
10 year Govt bond			4.91%		4.27%	NZ Carbon	69.15	

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