

Market Alert

Wednesday 28 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6171	-0.0006
NZD/AUD	0.9430	-0.0057
NZD/JPY	92.91	-2.64
NZD/EUR	0.5690	-0.0051
NZD/GBP	0.4865	-0.0009
NZD/CNH	4.4517	-0.0632
AUD/USD	0.6543	0.0033
AUD/EUR	0.6030	-0.0017
EUR/USD	1.0846	0.0084
USD/CNH	7.2135	-0.0959
GBP/USD	1.2684	0.0011
EUR/GBP	0.8551	0.0056

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.76%	4.38%
2 year swap	5.16%	4.01%
10 year Govt	4.90%	4.23%

RBNZ update awaited

It was a bit of a holding pattern overnight, with local markets keen to hear the latest from the RBNZ today. Internationally, all three of the main inflation measures from Japan fell in January when compared with December. Japanese headline inflation was expected to fall to 1.9%. It didn't, instead coming in a 2.2%. CPI excluding fresh food and energy came in at 3.5% on the year, while CPI excluding just food read at 2.0%, both were above expectations of 3.3% and 1.8% respectively. The slightly higher than expected rates of inflation will add weight to those looking for a near term pivot to tighter policy from the BoJ but the stock market didn't seem to mind that as the Nikkei 225 index rose 0.3% to hover near a record high!

Across the Pacific, US durable goods orders fell the most since April 2020, down a shocking -6.1% in January compared to the previous month, far more than market expectations of a -4.5% decrease and following a prior fall of -0.3% in December.

Over the Atlantic now, where the German Gfk Consumer Climate (Consumer Confidence) Indicator was released yesterday, showing a slight improvement. Although it was hardly likely to get much worse considering the last reading had it sitting at a 11-month low of -29.6, it now sits at -29.0. The average consumer is certainly feeling more confident if we cross the Rhine river however! French consumer confidence, also released yesterday, reads at 89.0, down from 91.0 and compared to forecasts of 92, although it is worth noting that French consumer confidence was previously close to its two year high levels.

Sobering outlook for Kiwis ...

...And bad news for pubs! Alcohol available for consumption in NZ decreased by 4.3% for the year ended December 2023, the biggest fall seen for the last 15 years.

Today at 2pm, Mr Orr and the RBNZ will give us their latest update on their strategy against inflation in New Zealand, particularly high non-tradables. The last update was in November of last year and we have had further insight into our domestic economy since then. The data releases have painted a picture of a rather

weak economy with weak GDP growth and consumers further tightening their belts to cut non-essential spending. A hike doesn't seem like the best answer to us to fight the particularly sticky non-tradable inflation but the MPS is most likely to have a hawkish tone, with potential for the OCR track to be lifted ... Will ANZ be correct on their nonconformist call of an OCR hike? Markets are currently pricing in about a 20% chance that is the case.

Finally, oil prices are up to just over USD78 per barrel, perhaps reflecting an increased possibility of OPEC+ extending their production cuts into the next quarter. In currency markets the NZD remains unchanged against the USD at 0.6171, with the NZD/AUD sitting at 0.9430. Have those FX orders ready, ahead of any RBNZ-inspired fireworks this afternoon.



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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	72.20					CAD	0.8347	0.8852
NZD/USD	0.6173	0.0000	-0.0001	-0.0006	-0.0018	CHF	0.5427	0.5758
NZD/AUD	0.9432	-0.0008	-0.0028	-0.0057	-0.0108	CNY	4.4424	4.7095
NZD/JPY	92.93	-0.41	-1.33	-2.64	-5.11	DKK	4.2401	4.4957
NZD/EUR	0.5691	-0.0007	-0.0023	-0.0051	-0.0112	FJD	1.3858	1.4693
NZD/GBP	0.4867	-0.0001	-0.0004	-0.0009	-0.0024	HKD	4.8286	5.1197
						KRW	821.76	871.29
AU TWI	61.30					MYR	2.9374	3.1145
AUD/USD	0.6543	0.0006	0.0018	0.0033	0.0054	NOK	6.4976	6.8893
AUD/NZD	1.0601	0.0009	0.0030	0.0061	0.0115	SEK	6.3589	6.7422
AUD/JPY	98.51	-0.34	-1.13	-2.22	-4.36	SGD	0.8290	0.8790
AUD/EUR	0.6030	-0.0002	-0.0007	-0.0017	-0.0051	TWD	19.50	20.68
AUD/GBP	0.5158	0.0003	0.0011	0.0021	0.0031	ZAR	11.76	12.47
USD Index	103.79					EQUITIES		
EUR/USD	1.0846	0.0012	0.0041	0.0084	0.0179		Index	
USD/JPY	150.52	-0.68	-2.13	-4.15	-7.83	NZX50	11,695	
GBP/USD	1.2684	0.0002	0.0007	0.0011	0.0019	ASX200	7,663	
EUR/GBP	0.8551	0.0008	0.0026	0.0056	0.0122	Dow Jones	38,948	
						S&P 500	5,068	
INTEREST RATES			New Zealand		Australia	FTSE100	7,683	
			Mid		Mid	DAX 30	17,556	
30 day bank bills			5.66%		4.35%	Nikkei	39,240	
90 day bank bills			5.72%		4.38%	COMMODITIES		
1 year swap			5.66%		4.22%		USD	
2 year swap			5.18%		4.03%	Brent Crude	83.57	
3 year swap			4.88%		3.95%	Gold	2,031.72	
5 year swap			4.63%		4.14%	Silver	22.53	
10 year swap			4.66%		4.44%	Iron Ore	126.11	
3 year Govt bond			4.92%		3.76%	CRB Index	315.32	
5 year Govt bond			4.76%		3.85%		NZD	
10 year Govt bond			4.90%		4.22%	NZ Carbon	67.15	

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