

Market Alert

Thursday 02 May 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5918	-0.0001
NZD/AUD	0.9088	-0.0045
NZD/JPY	93.120	-2.54
NZD/EUR	0.5531	-0.0048
NZD/GBP	0.4731	-0.0007
NZD/CNH	4.2845	-0.0474
AUD/USD	0.6511	0.0030
AUD/EUR	0.6085	-0.0025
EUR/USD	1.0699	0.0088
USD/CNH	7.2413	-0.0793
GBP/USD	1.2508	0.0014
EUR/GBP	0.8552	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.45%
2 year swap	5.08%	4.35%
10 year Govt	5.00%	4.60%

That wasn't as hawkish ...

... as everyone thought it was going to be!

In a nutshell ... the FOMC left their interest rate settings unchanged at 5.25%-5.50% citing lack of progress on inflation. In a surprise move, the central bank announced they will slow the runoff of treasuries from its balance sheet from this June, reducing from USD60bn per month to USD25bn. Then, in the Q&A Fed Chair, Jerome Powell, stated a rate hike is unlikely to be Fed's next move, although their confidence in a cutting cycle will take longer than previously thought.

The statement highlighted, "The Committee judges that the risks to achieving its employment and inflation goals have moved toward better balance over the past year. In recent months, there has been a lack of further progress toward the Committee's

2.0% inflation objective. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2.0%," although there was some surprise by the statement, "Recent indicators suggest that economic activity has continued to expand at a solid pace," given last week's Q1 GDP print.

Highlights from the Q&A were, "I think there are paths that we could embark on to cut rates. Part of getting inflation to target probably means moving wage hikes to more sustainable levels. We don't know how long it will be before we can cut rates. An unexpected weakening in the labour market would have to be significant, a couple of tenths in the unemployment rate probably wouldn't do it. My expectation is over the course of the year that inflation will move back down but my confidence in that is lower. I don't see the 'stag' or the 'flation'. Restrictive policy is doing what it's supposed to do. We believe they (rates) are restrictive. And we believe, over time, it will be sufficiently restrictive. It's unlikely that the next policy rate move will be a hike."

Overall, the markets liked the bearishness with equity markets recovering post meeting, while yields moved lower throughout the session with the 2 and 10-years currently lower by -9bps and -6bps to be at 4.96% and 4.63%, respectively. The USD-index continue to bounce around the 106.00 level and, while it is lower today, it is currently at 106.06 which has seen NZD/USD and AUD/USD bounce back

above the 0.5900 and 0.6500 levels while NZD/AUD reached a low at 0.9076. Commodities are lower with oil falling to a 1-month low of -3.35% on the day.

Looking at the rest of the headlines.

US jobs openings tumbled to a 3-year low at 8.488m, while US manufacturing PMIs returned to contractionary territory falling from 50.3 to 49.2. In Australia, manufacturing PMIs were also contractionary printing at 49.6.

In New Zealand, the unemployment rate firmed to 4.3% against expectations at 4.2%, with the participation rate easing from 71.9% to 71.5%. Labour costs increased 0.8% on the quarter and 3.8% on the year. Meanwhile, the RBNZ's Financial Stability report warned there remains a risk that new or persistent inflation pressures could mean global interest rates remain restrictive for longer, while Deputy Governor, Christian Hawkesby announced, "Employment data confirmation of trend we were expecting to see. Higher interest rates will involve a cooling of the labour market. High global inflation still remains a key risk for financial stability."

Finally, analysts in Japan have suggested "As far as we can tell by looking at changes in the BOJ current account, we can say there's a high likelihood intervention took place on the 29th. The amount of about JPY5trn (USD32bn) is largely in line with our calculations."



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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	70.00					CAD	0.8132 0.8951
NZD/USD	0.5918	0.0000	0.0000	-0.0001	-0.0001	CHF	0.5432 0.5978
NZD/AUD	0.9088	-0.0009	-0.0025	-0.0045	-0.0079	CNY	4.2738 4.7024
NZD/JPY	93.120	-0.44	-1.30	-2.54	-4.85	DKK	4.1245 4.5386
NZD/EUR	0.5531	-0.0007	-0.0023	-0.0048	-0.0102	FJD	1.3202 1.4527
NZD/GBP	0.4731	-0.0001	-0.0003	-0.0007	-0.0015	HKD	4.6290 5.0938
						KRW	816.24 898.19
AU TWI	61.80					MYR	2.8224 3.1057
AUD/USD	0.6511	0.0006	0.0017	0.0030	0.0048	NOK	6.5411 7.1977
AUD/NZD	1.1003	0.0010	0.0029	0.0051	0.0077	SEK	6.4757 7.1258
AUD/JPY	102.48	-0.39	-1.17	-2.34	-4.61	SGD	0.8058 0.8867
AUD/EUR	0.6085	-0.0007	-0.0009	-0.0025	-0.0068	TWD	19.24 21.17
AUD/GBP	0.5205	0.0004	0.0011	0.0016	0.0023	ZAR	11.03 12.13
USD Index	106.06					EQUITIES	
EUR/USD	1.0699	0.0013	0.0043	0.0088	0.0185		Index
USD/JPY	157.36	-0.74	-2.20	-4.28	-8.16	NZX50	11,868
GBP/USD	1.2508	0.0002	0.0007	0.0014	0.0029	ASX200	7,570
EUR/GBP	0.8552	0.0009	0.0029	0.0059	0.0122	Dow Jones	38,058
						S&P 500	5,062
INTEREST RATES			New Zealand		Australia	FTSE100	8,121
			Mid		Mid	DAX 30	17,932
30 day bank bills			5.60%		4.37%	Nikkei	38,274
90 day bank bills			5.64%		4.45%	COMMODITIES	
1 year swap			5.48%		4.46%		USD
2 year swap			5.10%		4.36%	Brent Crude	83.47
3 year swap			4.86%		4.28%	Gold	2,315.40
5 year swap			4.68%		4.48%	Silver	26.62
10 year swap			4.77%		4.70%	Iron Ore	117.47
3 year Govt bond			4.86%		4.14%	CRB Index	332.07
5 year Govt bond			4.80%		4.22%		NZD
10 year Govt bond			5.00%		4.56%	NZ Carbon	55.50

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