

Market Alert

Friday 03 May 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5961	-0.0001
NZD/AUD	0.9081	-0.0043
NZD/JPY	91.275	-2.48
NZD/EUR	0.5557	-0.0048
NZD/GBP	0.4755	-0.0007
NZD/CNH	4.2924	-0.0488
AUD/USD	0.6563	0.0030
AUD/EUR	0.6118	-0.0024
EUR/USD	1.0724	0.0089
USD/CNH	7.2011	-0.0810
GBP/USD	1.2534	0.0016
EUR/GBP	0.8554	0.0060

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.46%
2 year swap	5.02%	4.30%
10 year Govt	4.93%	4.53%

Whole Lotta Yen ... sung to the tune of 'Whole Lotta Rosie!'

In all likelihood, the BoJ intervened in currency markets for a second time this week, exactly 24-hours ago. This time it's been estimated the central bank spent around JPY3.5trn (USD22.5bn), based on a comparison of Bank of Japan accounts and money broker forecasts. Combined with Monday's JPY5.0trn (USD31.7bn) spend, that's a 'Whole Lotta Yen' ... but at least they've had some success, driving USD/JPY down from 160.17 to 153.25, while NZD/JPY and AUD/JPY are below 91.50 and 101.00!

The combination of yesterday's FOMC dovishness and USD selling by the BoJ saw the USD-index fall to its key support level at 105.35, which saw the NZD and AUD gain 0.5% and 0.6%, respectively. Treasury yields also continued their

retacement with the 2 and 10-years falling -8bps and -6bps to yield 4.89% and 4.58%, remember, a week ago the 10-years peaked at 4.73%. Equity markets had a positive session rallying 0.3%-0.8%, and we have Apple reporting after the bell. Commodity markets were quiet.

Ahead of tonight's non-farms payroll report and employment update, where it is expected the US economy will have added 238k new jobs, to leave the unemployment rate flat at 3.8%, with average hourly earnings at 4.0%. Last night saw non-farm unit labour costs increase at an annualized 4.7% in Q1 2024, which was significantly above expectations at 3.6%. To compound the matter, and to highlight the risks to businesses, hourly compensation grew by 5.0%, while productivity was up by only 0.3%, the least in 6 quarters! On a positive note, new orders for US manufactured goods rose by 1.6%, to USD584.5bn in March, following February's 1.2% gain, while initial claims were unchanged on last week's release at 208k, as was continuing claims at 1.774m.

BoC governor, and the man with the coolest name ever, Tiff Macklem, announced, "We do see renewed downward momentum in underlying inflation. We are getting closer (to cutting rates). We are seeing what we need to see, and we just need to be confident that it will be sustained."

The OECD has raised its 2024 global GDP forecast to 3.2% from February's 2.9% as, "The world economic outlook is perking up as growth proves more resilient and inflation is set to cool faster than previously expected."

Ouch!

Every cloud has a silver lining ... the Argentinian central bank has just cut their benchmark interest rate for the 3rd time in 3-weeks, this time by 10.00% ... to ... wait for it ... 50.00%!

Ex-bond guru and PIMCO co-founder, but a rent-a-quote bloke these days, Bill Goss, has just released his latest investment outlook warning, "Those that argue for lower rates have to counter the inexorable upward climb in Treasury supply and the likely Sisyphean decline in bond prices. I'm looking for 5.0% plus 10-year yields over the next 12-months – not 4.0% like some. The US economy requires fiscal deficits and net increases in Treasury debt of 1-2trn or more annually in order for the economy to grow." He also added the "total return" strategy that revolutionized the bond market is now defunct as yields are much lower than when he first coined the concept, leaving investors with less room for price appreciation.

In another blow to the local fashion scene, NZ Fashion Week has been cancelled!



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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	70.20					CAD	0.8151 0.8979
NZD/USD	0.5961	0.0000	0.0000	-0.0001	-0.0001	CHF	0.5424 0.5975
NZD/AUD	0.9081	-0.0009	-0.0025	-0.0043	-0.0067	CNY	4.2956 4.7357
NZD/JPY	91.275	-0.46	-1.26	-2.48	-4.72	DKK	4.1434 4.5633
NZD/EUR	0.5557	-0.0007	-0.0023	-0.0048	-0.0098	FJD	1.3233 1.4575
NZD/GBP	0.4755	-0.0001	-0.0003	-0.0007	-0.0016	HKD	4.6568 5.1289
						KRW	814.63 897.19
AU TWI	62.30					MYR	2.8317 3.1187
AUD/USD	0.6563	0.0006	0.0017	0.0030	0.0047	NOK	6.5526 7.2164
AUD/NZD	1.1011	0.0010	0.0029	0.0050	0.0073	SEK	6.4731 7.1293
AUD/JPY	100.51	-0.42	-1.13	-2.27	-4.52	SGD	0.8070 0.8888
AUD/EUR	0.6118	-0.0002	-0.0009	-0.0024	-0.0065	TWD	19.28 21.24
AUD/GBP	0.5234	0.0004	0.0011	0.0017	0.0019	ZAR	11.07 12.19
USD Index	105.37					EQUITIES	
EUR/USD	1.0724	0.0013	0.0042	0.0089	0.0191		Index
USD/JPY	153.13	-0.76	-2.11	-4.15	-7.90	NZX50	11,874
GBP/USD	1.2534	0.0002	0.0007	0.0016	0.0029	ASX200	7,587
EUR/GBP	0.8554	0.0009	0.0029	0.0060	0.0124	Dow Jones	38,226
						S&P 500	5,064
INTEREST RATES			New Zealand		Australia	FTSE100	8,172
			Mid		Mid	DAX 30	17,897
30 day bank bills			5.60%		4.36%	Nikkei	38,236
90 day bank bills			5.63%		4.46%	COMMODITIES	
1 year swap			5.44%		4.44%		USD
2 year swap			5.04%		4.32%	Brent Crude	83.72
3 year swap			4.79%		4.25%	Gold	2,303.49
5 year swap			4.62%		4.43%	Silver	26.64
10 year swap			4.71%		4.65%	Iron Ore	117.21
3 year Govt bond			4.78%		4.13%	CRB Index	331.31
5 year Govt bond			4.73%		4.20%		NZD
10 year Govt bond			4.93%		4.56%	NZ Carbon	55.05

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