

# Market Alert

Thursday 09 May 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5999	-0.0001
NZD/AUD	0.9121	-0.0045
NZD/JPY	93.365	-2.57
NZD/EUR	0.5583	-0.0049
NZD/GBP	0.4801	-0.0009
NZD/CNH	4.3353	-0.0513
AUD/USD	0.6576	0.0031
AUD/EUR	0.6119	-0.0024
EUR/USD	1.0743	0.0092
USD/CNH	7.2272	-0.0845
GBP/USD	1.2493	0.0017
EUR/GBP	0.8597	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.43%
2 year swap	4.98%	4.24%
10 year Govt	4.74%	4.38%

## I'm really struggling now ...

... because I'm leading with the Riksbank! Yes, with little movement in financial markets overnight, and the data releases being second tier, there's not a lot to chat about this morning. I mean, I could talk about watching my daughter receive her Master's in Psychology last night, but as she says, with a father like hers, she's grown up with the best case study ever in the anomalies of human behaviour! So, to the (semi) important stuff ...

Overnight, the Swedish central bank, the Riksbank, undertook its first interest rate cut in 2-years lowering its key policy rate from 4.00% to 3.75% as, "inflation is approaching its target, while economic activity is weak." Policymakers added that if the outlook for inflation holds, they expect to cut rate a further two times in H2 2024, but this is by no means

guaranteed as the outlook for inflation is uncertain given the global inflationary outlook, the strong US economy, and the weak krona. The optimism of future rate cuts should be treated with caution, with any cutting cycle likely to be a slow one.

But why are the actions of the Riksbank particularly relevant to us here in New Zealand? To some extent, the similar nature of the Swedish, Norwegian and New Zealand economies means the policy actions of one central bank are often followed by the others in a similar timeline. Let's hope that's the case this time!

## Following on ...

... Chilean inflation firmed from 3.7% to 4.0% ... wait ... let's stop this now.

The most interesting comments overnight were from the Boston Fed's Susan Collins, who announced, "I expect demand will need to slow to get inflation to 2.0%. Monetary policy is moderately restrictive and there are risks to cutting rates too soon. Current monetary policy should slow the economy, but it is too soon to tell just how restrictive monetary policy is. I expect some factors underpinning economic resilience will wane." Colleague Lisa Cook then reassuringly added, "Households remain resilient, but we are watching rising delinquency rates. Firms have ample earnings to cover debt payments while financial firms well positioned to absorb shocks. Overall the risk from commercial real estate is considered sizable, but it is manageable. Growth of private credit likely has not hurt the financial system's resilience."

Meanwhile, on the other side of the pond, ECB Council member, Robert Holzmann, announced, "I don't see a reason to lower rates too much too quickly" although he then followed this up with, "The Fed is the gorilla in the room."

Finally, in the least surprising comment of the session, BoJ Governor, Kazuo Ueda, confirmed, "We don't see the JPY moves as having a big impact on trend inflation so far, but there is risk impact could become more significant in the future" before warning, "The BoJ won't necessarily wait until inflation achieves our forecasts in 1.5 to 2 years to raise interest rates."

## So what does it all mean?

Not a lot! The US treasury auctioned off USD10bn of 10-year yields with a high yield at 4.483%, compared to 4.473% pre-auction. The tail was 1bps with the bid-to-cover ratio at 2.49-times, which was bang-on the 6-auction average. Simply put, the treasury market absorbed the volume well and yields are little changed with the 2-year flat at 2.84% and the 10-years a couple of bps higher post-auction at 4.50%. Currency markets were very quiet, although the AUD weakened which saw NZD/AUD firm to 0.9125 while USD/JPY remains around the 155.75 level. Equity and commodity markets were mixed.



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# Daily Rates

Thursday 09 May 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.70					CAD	0.8234	0.9032
NZD/USD	0.5999	0.0000	0.0000	-0.0001	-0.0002	CHF	0.5444	0.5973
NZD/AUD	0.9121	-0.0009	-0.0025	-0.0045	-0.0073	CNY	4.3325	4.7493
NZD/JPY	93.365	-0.44	-1.34	-2.57	-4.85	DKK	4.1625	4.5643
NZD/EUR	0.5583	-0.0007	-0.0024	-0.0049	-0.0102	FJD	1.3473	1.4774
NZD/GBP	0.4801	-0.0001	-0.0003	-0.0009	-0.0020	HKD	4.6876	5.1394
						KRW	818.86	897.92
AU TWI	62.40					MYR	2.8426	3.1170
AUD/USD	0.6576	0.0007	0.0018	0.0031	0.0048	NOK	6.5400	7.1714
AUD/NZD	1.0964	0.0011	0.0029	0.0052	0.0072	SEK	6.5411	7.1727
AUD/JPY	102.36	-0.40	-1.19	-2.33	-4.56	SGD	0.8128	0.8912
AUD/EUR	0.6119	-0.0002	-0.0009	-0.0024	-0.0065	TWD	19.42	21.29
AUD/GBP	0.5262	0.0004	0.0011	0.0017	0.0019	ZAR	11.14	12.21
USD Index	105.56					<b>EQUITIES</b>		
EUR/USD	1.0743	0.0013	0.0044	0.0092	0.0192		<b>Index</b>	
USD/JPY	155.64	-0.73	-2.22	-4.24	-7.99	NZX50	11,783	
GBP/USD	1.2493	0.0002	0.0008	0.0017	0.0041	ASX200	7,805	
EUR/GBP	0.8597	0.0009	0.0030	0.0059	0.0122	Dow Jones	39,073	
						S&P 500	5,189	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,354	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,498	
30 day bank bills			5.60%		4.35%	Nikkei	38,202	
90 day bank bills			5.63%		4.43%	<b>COMMODITIES</b>		
1 year swap			5.42%		4.39%		<b>USD</b>	
2 year swap			5.00%		4.26%	Brent Crude	83.72	
3 year swap			4.72%		4.16%	Gold	2,308.67	
5 year swap			4.51%		4.32%	Silver	27.31	
10 year swap			4.56%		4.54%	Iron Ore	118.69	
3 year Govt bond			4.66%		3.97%	CRB Index	336.57	
5 year Govt bond			4.58%		4.03%		<b>NZD</b>	
10 year Govt bond			4.74%		4.35%	NZ Carbon	54.50	

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