

Market Alert

Monday 27 May 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6117	-0.0002
NZD/AUD	0.9226	-0.0051
NZD/JPY	96.050	-2.64
NZD/EUR	0.5637	-0.0051
NZD/GBP	0.4803	-0.0007
NZD/CNH	4.4358	-0.0654
AUD/USD	0.6626	0.0032
AUD/EUR	0.6106	-0.0025
EUR/USD	1.0847	0.0093
USD/CNH	7.2602	-0.1045
GBP/USD	1.2729	0.0012
EUR/GBP	0.8518	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.65%	4.39%
2 year swap	5.10%	4.22%
10 year Govt	4.85%	4.39%

What a great weekend!

And I'm not talking about the Crusader's... but what about Manchester United peaking with their best game of the season to win the FA Cup, and my buddy who has them to win at \$8.25! A big shout out also to Southampton after they won the 'richest-game-of-football' while there was yet another impressive comeback by the Wahs! Congrats to Charles Leclerc and Ferrari on winning the Monaco GP, and if you get the chance, track down the highlights as the crash involving Sergio Perez and the Haas cars has to be seen to be believed. Well done to the Caines with another win, Aimee Fisher on beating the unbeatable Lisa Carrington for the second time in a row, and to James Preston on breaking Sir Peter Snell's 62-year-old 800m record ... I mean, the record was so old performance enhancing drugs had not even been invented!

Friday's yawn session.

Friday, or should I say Saturday morning, saw a quiet close to the week with equity markets posting incremental gains, as did commodity markets. There was not much activity in fixed income markets either with the US 2-year treasury yield flatlining at 4.96% while the 10-year fell -1bps to 4.47%. The USD-index failed in its attempted to break through the 105.00 level, which saw it close the session lower, which was enough for NZD/USD to firm back above the 0.6100 level and for AUD/USD to hold on the 0.6600 handle. Interestingly, the JPY came under selling pressure with USD/JPY back above 157.00, NZD/JPY above 96.00, while AUD/JPY opens this morning at 104.10.

Looking at the data, US University of Michigan inflation 5 to 10-year expectations fell from 3.1% to 3.0%, durable goods orders firmed 0.7% in April, while Goldman Sachs has pushed back their first Fed rate-cut call to September from July amid signs the US economy remains resilient. Japanese annual inflation fell to 2.5% in April from March's 2.7%, while core inflation also dropped to 2.2%, which explains the weak JPY.

Forget about the A-Team ...

... it's all about the B-team after Friday saw RBNZ Deputy Governor Christian Hawkesby confirm, "While near-term inflation risks are to the upside, (we're) confident medium-term inflation is returning to target. No single data point

will cause rate hike. Cutting interest rates was not part of the near-term discussion," while Assistant Governor Karen Silk highlighted the central bank remains "concerned about the near-term inflation risks. There are risks to the upside in the near term, and the bank is absolutely prepared to act if they were to come to fruition in a meaningful way," although she then added, "The Bank has adjusted its modelling after it underestimated the strength of domestic inflation." This perhaps explains why the central bank increased their 2024 quarterly projections by 0.4%, and their 2025 quarterly projections by 0.2%. Unfortunately, we are still waiting for an explanation as to why the central bank is forecasting a return to growth when the global economy is stalling, fiscal policy is tightening, business confidence is falling, and real interest rates are increasing!

The week ahead

Today will be quiet start to the week as it is a public holiday in the US and UK, although later in the week we have the latest US PCE inflation update, personal income data, a Q1 GDP update, and the odd-Fed speech. We have inflation updates from Germany, the Euro-zone, and Australia, and an unemployment re-cap from the Euro-area. We also have German GfK consumer confidence, Chinese manufacturing and services PMIs, while BoJ Governor Ueda is due to speak at a BoJ conference. Finally, we have the Budget in New Zealand.



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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	71.90					CAD	0.8360	0.9056
NZD/USD	0.6121	0.0000	-0.0001	-0.0002	-0.0008	CHF	0.5591	0.6053
NZD/AUD	0.9234	-0.0009	-0.0026	-0.0051	-0.0086	CNY	4.4304	4.8002
NZD/JPY	96.110	-0.44	-1.34	-2.64	-5.01	DKK	4.2072	4.5572
NZD/EUR	0.5642	-0.0007	-0.0025	-0.0051	-0.0106	FJD	1.3700	1.4840
NZD/GBP	0.4807	-0.0001	-0.0003	-0.0007	-0.0015	HKD	4.7786	5.1762
						KRW	835.54	905.07
AU TWI	62.70					MYR	2.8811	3.1208
AUD/USD	0.6626	0.0006	0.0017	0.0032	0.0053	NOK	6.4709	7.0094
AUD/NZD	1.0820	0.0010	0.0029	0.0052	0.0093	SEK	6.5215	7.0641
AUD/JPY	104.03	-0.39	-1.17	-2.36	-4.53	SGD	0.8257	0.8944
AUD/EUR	0.6106	-0.0003	-0.0010	-0.0025	-0.0060	TWD	19.70	21.34
AUD/GBP	0.5203	0.0004	0.0011	0.0018	0.0031	ZAR	11.26	12.20
USD Index	104.75					EQUITIES		
EUR/USD	1.0847	0.0014	0.0045	0.0093	0.0190		Index	
USD/JPY	157.02	-0.73	-2.16	-4.25	-8.01	NZX50	11,783	
GBP/USD	1.2729	0.0002	0.0006	0.0012	0.0025	ASX200	7,728	
EUR/GBP	0.8518	0.0010	0.0030	0.0063	0.0127	Dow Jones	39,070	
						S&P 500	5,305	
INTEREST RATES			New Zealand		Australia	FTSE100	8,318	
			Mid		Mid	DAX 30	18,693	
30 day bank bills			5.60%		4.33%	Nikkei	38,646	
90 day bank bills			5.62%		4.39%	COMMODITIES		
1 year swap			5.53%		4.36%		USD	
2 year swap			5.11%		4.23%	Brent Crude	82.12	
3 year swap			4.82%		4.14%	Gold	2,333.76	
5 year swap			4.59%		4.28%	Silver	30.34	
10 year swap			4.61%		4.48%	Iron Ore	117.66	
3 year Govt bond			4.78%		4.04%	CRB Index	343.51	
5 year Govt bond			4.68%		4.09%		NZD	
10 year Govt bond			4.85%		4.40%	NZ Carbon	45.25	

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