

Market Alert

Wednesday 03 July 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6082	-0.0002
NZD/AUD	0.9119	-0.0038
NZD/JPY	98.195	-2.70
NZD/EUR	0.5660	-0.0052
NZD/GBP	0.4794	-0.0007
NZD/CNH	4.4385	-0.0600
AUD/USD	0.6668	0.0026
AUD/EUR	0.6205	-0.0032
EUR/USD	1.0745	0.0096
USD/CNH	7.3068	-0.0971
GBP/USD	1.2685	0.0015
EUR/GBP	0.8467	0.0065

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.50%
2 year swap	4.90%	4.34%
10 year Govt	4.75%	4.49%

These early mornings are doing me in!

Yes, it was another 3.58am start this morning, the 4th in a row to catch the early football game! It's been hard, but I'm looking forward to a lie-in tomorrow ... to 6:00am! But there has been one positive ... I get to wear my latest present ... a pair of slippers! I have never had a pair of slippers before, and they're incredible ... are slippers the greatest invention ever?

Well ... that was an unmitigated disaster!

With the domestic economy coming under increasing pressure, the good news is that the exporting sector has been holding up relatively well ... actually, change that 'has' to a 'had' because last

night's GDT auction was a shocker! The headline GDT auction price fell -6.9% with the individual products literally melting with AMF -10.7%, butter -10.2%, cheddar -6.9%, SMP -6.1%, butter powder -5.1% and WMP -4.3%. The one positive, and there was only one, was that lactose rose 0.6%! And the buyers took advantage with volumes higher than the previous few auctions! To add to the negative tone, NZIER Q2 business confidence collapsed to -44%, from -25%, while May building consents for May 2024 come in at -1.7%.

Unfortunately for exporters, the extremely poor auction result was largely ignored by the currency markets, with the NZD a smidge firmer this morning on broader USD weakness with the USD-index -0.1% lower overnight. US yields eased lower, with the 10-years -3bps to 4.43% on the Powell comments, while US equities rallied, once again, to reach new highs!

Eurozone inflation eased back to 2.5% in June following May's 'pop' to 2.6% in May, although core inflation remained elevated at 2.9%. ECB policymaker, Pierre Wunsch, also announced, "There is room for second rate cut barring any major negative surprises. The decision to cut rates one more time is a relatively easy one, but subsequent moves should only come once inflation is closer towards the 2.0% target."

We also had another 'gaggle' of Fed speakers with Chair, Jerome Powell, stating, "The latest data shows we're on a better path on wages and the latest PCE

at 2.6% shows 'really significant progress.' We just want to understand that the levels we're seeing are a true reading on what's happening in underlying inflation. We have the ability to take our time and get his right." NY President, John Williams, believes price pressures are moderating offering, "I'm confident that the Fed are on a path to achieving our 2.0% inflation goal on a sustained basis" while Fed Member, Austin Goolsbee, added, "I see some warning signs the real economy is weakening I still think the 'golden path' is possible. Higher inflation this year has mostly looked like a blip, or a bump in the road. If you take a step back, the arc of inflation is clearly down." The US releases were mildly positive with the economic optimism index rising to its highest level in 6-months firming 3.7 pips to 44.2, although the index has been in negative territory for 35 consecutive months! The JOLTs release also provide some optimism after the number of job openings rose by 221k to 8.140m in May, which was ahead of forecasts at 7.91m.

The latest rumour doing the rounds is that the PBoC may cut their Reserve Requirement Ratio (RRR) to boost long term liquidity and support bond buying.

Finally, the RBA minutes highlighted, "The Board judged the case for holding rates steady stronger than for hiking. A hike might be needed if the board judged policy was not 'sufficiently restrictive.' Inflation expectations still anchored, but market premia had drifted higher."



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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	71.80					CAD	0.8310	0.9117
NZD/USD	0.6082	0.0000	0.0000	-0.0002	-0.0005	CHF	0.5493	0.6028
NZD/AUD	0.9119	-0.0008	-0.0023	-0.0038	-0.0054	CNY	4.4208	4.8483
NZD/JPY	98.195	-0.47	-1.38	-2.70	-4.98	DKK	4.2206	4.6287
NZD/EUR	0.5660	-0.0008	-0.0025	-0.0052	-0.0103	FJD	1.3675	1.4998
NZD/GBP	0.4794	-0.0001	-0.0004	-0.0007	-0.0014	HKD	4.7507	5.2102
						KRW	842.09	923.53
AU TWI	63.60					MYR	2.8679	3.1453
AUD/USD	0.6668	0.0006	0.0016	0.0026	0.0033	NOK	6.4878	7.1153
AUD/NZD	1.0964	0.0010	0.0026	0.0044	0.0058	SEK	6.4353	7.0576
AUD/JPY	107.66	-0.43	-1.27	-2.54	-4.88	SGD	0.8243	0.9040
AUD/EUR	0.6205	-0.0004	-0.0014	-0.0032	-0.0079	TWD	19.81	21.72
AUD/GBP	0.5255	0.0004	0.0009	0.0014	0.0014	ZAR	11.32	12.42
USD Index	105.69					EQUITIES		
EUR/USD	1.0745	0.0015	0.0047	0.0096	0.0186		Index	
USD/JPY	161.43	-0.76	-2.27	-4.41	-8.05	NZX50	11,777	
GBP/USD	1.2685	0.0002	0.0008	0.0015	0.0020	ASX200	7,718	
EUR/GBP	0.8467	0.0011	0.0032	0.0065	0.0126	Dow Jones	39,315	
						S&P 500	5,501	
INTEREST RATES			New Zealand		Australia	FTSE100	8,121	
			Mid		Mid	DAX 30	18,164	
30 day bank bills			5.60%		4.35%	Nikkei	40,075	
90 day bank bills			5.62%		4.50%	COMMODITIES		
1 year swap			5.33%		4.49%		USD	
2 year swap			4.92%		4.36%	Brent Crude	86.38	
3 year swap			4.65%		4.27%	Gold	2,330.76	
5 year swap			4.46%		4.41%	Silver	29.56	
10 year swap			4.53%		4.59%	Iron Ore	108.00	
3 year Govt bond			4.67%		4.19%	CRB Index	343.21	
5 year Govt bond			4.57%		4.23%		NZD	
10 year Govt bond			4.75%		4.53%	NZ Carbon	50.00	

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