

Market Alert

Tuesday 09 July 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6126	-0.0002
NZD/AUD	0.9095	-0.0037
NZD/JPY	98.505	-2.68
NZD/EUR	0.5660	-0.0052
NZD/GBP	0.4783	-0.0008
NZD/CNH	4.4638	-0.0584
AUD/USD	0.6734	0.0025
AUD/EUR	0.6220	-0.0033
EUR/USD	1.0822	0.0094
USD/CNH	7.2864	-0.0962
GBP/USD	1.2807	0.0016
EUR/GBP	0.8448	0.0062

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.60%	4.51%
2 year swap	4.83%	4.31%
10 year Govt	4.74%	4.44%

It was a quiet one overnight ...

... with no sport, and not a lot to report on ... even the economic releases were 2nd tier! Hopefully we'll see something significant overnight from Fed Chair Jerome Powell's testimony to lawmakers or, and this is where I'm being really optimistic, we'll see a positive headline or two from the RBNZ tomorrow.

Breaking the releases down, US consumer inflation expectations for the year ahead fell for a 2nd consecutive month to 3.0% from 3.2% in May, German exports fell -3.6% to a 5-month low of EUR131.6bn (probably because workers are watching the football), while Japanese base salaries rose 2.5% in the year to May, although inflation-adjusted wages, fell -1.4% to record 26 consecutive months

of wage contraction. Man, I know that feeling, but the real question is whether it will generate a reaction from the BoJ! Australian housing financing fell -1.7% in May, down from April's strong 4.8% gain, while the PBoC announced they will conduct temporary bond repos, or reverse repos, during their afternoon trading sessions as and when required. As you can see, I'm struggling for news!

On a side note, Boeing are to plead guilty to a criminal fraud charge stemming from 737 Max crashes after violating a DoJ ruling. The plane-maker faces fines of up to USD487m. Interestingly, their shares are only down about a dollar overnight.

Summing it all up, it was a bit of a snooze session as financial markets flatlined. Across the board, government bond yields were mixed, and this point was perfectly illustrated by moves in the treasury market with the 2-years firming 2bps to 4.63% while the 10-years fell -1bps to 4.28%. Interesting, fixed income markets are pricing in a full 25bps rate cut, with a 50% chance of a 2nd cut by the RBNZ ahead of year-end. The US markets are also projecting 2 rate cuts by December month end, while the Australian market is pricing in a 50% chance of a rate hike by the RBA. Currency markets were also quiet with broad NZD-selling the main theme, the AUD flatlined, while the EUR reacted positively to the French election result. Equity markets were quiet while commodity markets were weak with gold lower after China halted purchases for the second consecutive month.

Great news ... we've got another 6-weeks of this!

Looking at the world of politics, in the US, President Joe Biden launched a new 'charm' offensive announcing he is "firmly committed to staying in this race, to running this race to the end, and to beating Donald Trump" while, more importantly, he also has planned meetings with top donors. I suspect we will see a lot more of these headlines ahead of the Democratic party convention, which will take place in Chicago starting on the 19th August. Strewth ... that's 6-weeks away!

The French are not used to this, but they have a hung parliament after the left coalition, the New Popular Front (NFP), won 180 seats. In second place was incumbent Emmanuel Macron's Ensemble bloc who secured 159 seats, while the first round winner, Marine Le Pen's National Rally (RN) flopped with only 143 votes. With all of the political parties unable to collaborate with each other, no party comes close to the 289 seats needed for an absolute majority. And then I saw this ... left-wing leader Jean-Luc Melenchon vowed to implement the New Popular Front's entire spending program. I have no idea what the programme is, but I would bet a dollar it will include a huge amount of debt issuance to pay for it!



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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	72.40					CAD	0.8350	0.9185
NZD/USD	0.6126	0.0000	0.0000	-0.0002	-0.0007	CHF	0.5495	0.6046
NZD/AUD	0.9095	-0.0008	-0.0022	-0.0037	-0.0050	CNY	4.4509	4.8943
NZD/JPY	98.505	-0.51	-1.36	-2.68	-4.93	DKK	4.2199	4.6402
NZD/EUR	0.5660	-0.0009	-0.0025	-0.0052	-0.0101	FJD	1.3477	1.4820
NZD/GBP	0.4783	-0.0001	-0.0004	-0.0008	-0.0015	HKD	4.7825	5.2589
						KRW	847.21	931.60
AU TWI	64.30					MYR	2.8826	3.1697
AUD/USD	0.6734	0.0006	0.0015	0.0025	0.0028	NOK	6.4953	7.1423
AUD/NZD	1.0992	0.0009	0.0025	0.0042	0.0054	SEK	6.4792	7.1246
AUD/JPY	108.31	-0.46	-1.24	-2.53	-4.86	SGD	0.8263	0.9086
AUD/EUR	0.6220	-0.0004	-0.0013	-0.0033	-0.0077	TWD	19.88	21.86
AUD/GBP	0.5256	0.0003	0.0008	0.0012	0.0012	ZAR	11.09	12.19
USD Index	105.02					EQUITIES		
EUR/USD	1.0822	0.0016	0.0045	0.0094	0.0179		Index	
USD/JPY	160.80	-0.82	-2.20	-4.34	-7.89	NZX50	11,746	
GBP/USD	1.2807	0.0003	0.0008	0.0016	0.0022	ASX200	7,763	
EUR/GBP	0.8448	0.0011	0.0030	0.0062	0.0121	Dow Jones	39,345	
						S&P 500	5,573	
INTEREST RATES			New Zealand		Australia	FTSE100	8,193	
			Mid		Mid	DAX 30	18,472	
30 day bank bills			5.60%		4.35%	Nikkei	40,781	
90 day bank bills			5.60%		4.51%	COMMODITIES		
1 year swap			5.28%		4.48%		USD	
2 year swap			4.84%		4.32%	Brent Crude	85.69	
3 year swap			4.58%		4.22%	Gold	2,358.60	
5 year swap			4.38%		4.35%	Silver	30.77	
10 year swap			4.45%		4.51%	Iron Ore	111.31	
3 year Govt bond			4.62%		4.17%	CRB Index	341.82	
5 year Govt bond			4.54%		4.19%		NZD	
10 year Govt bond			4.74%		4.46%	NZ Carbon	52.75	

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