

# Market Alert

Friday 26 July 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5893	0.0002
NZD/AUD	0.9003	-0.0025
NZD/JPY	90.650	-2.34
NZD/EUR	0.5432	-0.0047
NZD/GBP	0.4584	-0.0004
NZD/CNH	4.2661	-0.0528
AUD/USD	0.6544	0.0020
AUD/EUR	0.6031	-0.0034
EUR/USD	1.0847	0.0095
USD/CNH	7.2394	-0.0930
GBP/USD	1.2857	0.0012
EUR/GBP	0.8436	0.0065

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.49%	4.54%
2 year swap	4.16%	4.14%
10 year Govt	4.50%	4.40%

## It's time to pass the torch!

Yes, Joe Biden finally appeared 'live' and, given the election isn't until November, hopefully we can move away from the lying, thieving and cheating of the political world to something more savoury ... the Olympics' ... or in other words, to the lying, thieving and cheating of the sporting world!

## But financial markets still want to generate their own headlines

... and last night's US Q2 GDP print certainly generated a few headlines after the world's largest economy grew at a stellar 2.8%, up from Q1's 1.4%, and strongly above forecasts at 2.0% ... which naturally raises the question ... will the Fed cut interest rates given domestic growth is so strong? To add to concerns, consumer spending surged while the

core inflation input in the data rose 2.9% against forecasts at 2.7%. Looking at the other US headlines, initial jobless claims declined by 10k to 235k, while durable goods orders unexpectedly plummeted -6.6% in June.

The PBoC also surprised markets with an unscheduled 20bps cut to their 1-year MLF rate, lowering it from 2.50% to 2.30%. This cut was larger than Monday's 10bps cuts to the 7-day reverse repo rate and to the 1 and 5-year LPR rates, and it was essentially an inter-meeting reset as the PBoC had left the MLF unchanged earlier in the month.

The other headlines saw German and French business confidence plummet with the German IFO index falling for a third consecutive month dropping to 87, which was its lowest print since February, while French manufacturing confidence fell to 95.5 in July. Following the release, Bundesbank President, Joachim Nagel, suggested the ECB should be able to lower borrowing costs provided the economic data doesn't deliver any negative surprises.

Summing it all up, global equity markets remain in the red zone easing between -0.3% and -1.0%, although the Nikkei fell -3.3%! Treasury yields were also mixed, with the 2-years flat at 4.45%, although the 10-years chose to look through the strong GDP print falling -4bps to 4.26%, while the USD-index continues to confuse as it remains flat around the 104.35 level, although the AUD and NZD continued their 'death-by-a-thousand-cuts' weakening trend. Commodity markets were mixed with oil prices 0.7%

firmer although gold (-1.5%) and silver (-3.8%) were weaker.

## Interest facts from the rest ...

Former NY Fed President, William Dudley, announced, "*The facts have changed, so I've changed my mind. The Fed should cut, preferably at next week's meeting,*" as inflation continues to slow, and is not "*far above the central bank's 2.0% objective.*"

Countering Donald Trump's assertion that "*we have a big currency problem*" with the stronger dollar impacting exporter competitiveness, US Treasury Secretary, Janet Yellen, reiterated the regulator's commitment to a market-determined exchange rate, adding that interventions are only meant for periods of undue volatility.

Noted economist David Rosenberg stated more BoC rate cuts are needed stating, "*I predict more cuts are coming soon. I believe rates will eventually drop to 2.0% and wouldn't be surprised if we go lower.*"

BlackRock has forecasts the BoJ won't hike rates at their meeting next week ... which is what the markets are anticipating as well.

UBS are projecting a recovery for commodity prices as 1) lower crude exports could help tighten the oil market, 2) copper prices have held up well, and 3) gold has more room to rally.



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# Daily Rates

Friday 26 July 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.90					CAD	0.8142	0.9044
NZD/USD	0.5893	0.0000	0.0000	0.0002	0.0007	CHF	0.5188	0.5764
NZD/AUD	0.9003	-0.0007	-0.0019	-0.0025	-0.0020	CNY	4.2677	4.7376
NZD/JPY	90.650	-0.42	-1.22	-2.34	-4.10	DKK	4.0528	4.5015
NZD/EUR	0.5432	-0.0008	-0.0024	-0.0047	-0.0082	FJD	1.3117	1.4568
NZD/GBP	0.4584	-0.0001	-0.0003	-0.0004	0.0001	HKD	4.5989	5.1087
						KRW	814.86	905.19
AU TWI	62.00					MYR	2.7452	3.0495
AUD/USD	0.6544	0.0005	0.0013	0.0020	0.0019	NOK	6.4927	7.2124
AUD/NZD	1.1106	0.0008	0.0021	0.0030	0.0016	SEK	6.3738	7.0803
AUD/JPY	100.68	-0.40	-1.16	-2.34	-4.38	SGD	0.7910	0.8787
AUD/EUR	0.6031	-0.0004	-0.0014	-0.0034	-0.0080	TWD	19.27	21.41
AUD/GBP	0.5089	0.0002	0.0007	0.0010	0.0011	ZAR	10.81	12.01
USD Index	104.35					<b>EQUITIES</b>		
EUR/USD	1.0847	0.0016	0.0047	0.0095	0.0180		<b>Index</b>	
USD/JPY	153.81	-0.71	-2.08	-4.03	-7.18	NZX50	12,396	
GBP/USD	1.2857	0.0003	0.0008	0.0012	0.0009	ASX200	7,861	
EUR/GBP	0.8436	0.0010	0.0031	0.0065	0.0131	Dow Jones	40,059	
						S&P 500	5,437	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,186	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,299	
30 day bank bills			5.57%		4.39%	Nikkei	37,870	
90 day bank bills			5.49%		4.54%	<b>COMMODITIES</b>		
1 year swap			4.81%		4.37%		<b>USD</b>	
2 year swap			4.20%		4.15%	Brent Crude	82.39	
3 year swap			3.96%		4.04%	Gold	2,363.03	
5 year swap			3.90%		4.20%	Silver	27.83	
10 year swap			4.13%		4.42%	Iron Ore	107.47	
3 year Govt bond			4.17%		4.04%	CRB Index	329.46	
5 year Govt bond			4.15%		4.09%		<b>NZD</b>	
10 year Govt bond			4.50%		4.42%	NZ Carbon	50.75	

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