

# Market Alert

Monday 29 July 2024

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.5895 | 0.0001  |
| NZD/AUD    | 0.8998 | -0.0026 |
| NZD/JPY    | 90.620 | -2.34   |
| NZD/EUR    | 0.5426 | -0.0046 |
| NZD/GBP    | 0.4579 | -0.0004 |
| NZD/CNH    | 4.2805 | -0.0548 |
| AUD/USD    | 0.6550 | 0.0020  |
| AUD/EUR    | 0.6028 | -0.0035 |
| EUR/USD    | 1.0862 | 0.0094  |
| USD/CNH    | 7.2602 | -0.0958 |
| GBP/USD    | 1.2872 | 0.0012  |
| EUR/GBP    | 0.8434 | 0.0064  |

  

| INTR RATES   | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 5.50% | 4.35%     |
| 90 day bills | 5.48% | 4.54%     |
| 2 year swap  | 4.18% | 4.14%     |
| 10 year Govt | 4.45% | 4.40%     |

## OMG!

I've heard of disasters but surely this takes the cake!

Let me get this right ... the French are sabotaging their own games because ... they didn't want them? Yes, some French left-wingers have claimed responsibility for setting fire to the railway lines and causing power outages over the weekend as a protest movement! Meanwhile, organisers of the opening ceremony have had to apologise for ... a lot! Firstly, they raised the Olympic flag upside down (seriously Pierre, you only had one job), they accidentally introduced South Korea as North Korea as the boats travelled down the Seine, and let's not mention the all-inclusive 'Last Supper' event! Apparently, all video links to the opening ceremony have now been deleted from the official website.

But let's move on quickly ... because we're not doing that well ... we've had a few fourths, but not a lot to shout out about really! But imagine how badly Mercedes driver George Russell must be feeling, after his Belgium Grand Prix win was taken from him and he was disqualified after his car was found to be underweight ... and to make it worse ... Lewis Hamilton was promoted to first place!

At least the tri-nations is starting soon ... and it was interesting to see Sam Cane back in the squad.

## Let's be honest ...

... we can talk about PCE inflation until we are blue in the face ... but, at the moment, it's all about JPY flows. Yes, a lot of the JPY shorts have been unwound, about a third, but they are still at elevated levels from a historical perspective. No doubt this week's Fed and BoJ meetings will provide the catalyst as to whether there will be a further unwinding or not.

But looking at the US releases, PCE inflation rose 0.1% in June and 2.6% on the year, while the core printed at 0.2%, and at 2.6%. Forecasts had been at 0.1% for both. The University of Michigan's consumer sentiment was revised higher to 66.4 from the preliminary reading of 66.0, although it still remains at its lowest level in 8-months, while personal incomes rose by 0.2% in June, slowing from May's downwardly revised 0.4%.

The ECB's Isabel Schnabel, announced, "The first cut doesn't automatically lead to a series of cuts," while Fed watcher Nick

Timiraos from the WSJ stated, "A Fed cut is unlikely on Wednesday, but officials wary of waiting too long."

Despite all of the FX and interest rate volatility, it was a quiet end to the week with the USD-index, the NZD and AUD closing flat, while the US treasury curve was steady, with the 2 and 10-year yields both falling -5bps to 4.39% and 4.20%. Global equity markets closed slightly higher, although commodity prices were broadly lower.

## This week ...

... is a BIG BIG week ... with the Federal Reserve's and BoJ's latest interest rate updates taking centre stage, which will have a big impact on JPY flows, as well as an update from the BoE. We also have, from the US, nonfarm payrolls, employment, average hourly earnings, JOLTs job openings, consumer confidence, manufacturing PMIs, factory orders, and the employment cost index. We also have 3 or 4 of the Magnificent 7 providing their latest earnings updates. Looking further afield, we have inflation updates from Australia, the Euro-zone, Germany, and Switzerland, as well as GDP updates from the Euro-zone and Germany. China will provide PMI updates, while we also have the latest Australian trade, home balance sheet, retail sales, and building permit updates, while in NZ we have building permits and business confidence.



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# Daily Rates

Monday 29 July 2024

| FX                    | Spot   | FECs (mid) |                    |         |                  | Spot Mid           |              |        |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
|                       | Mid    | 1mth       | 3mths              | 6mths   | 12mths           | NZD/...            | AUD/...      |        |
| NZ TWI                | 69.40  |            |                    |         |                  | CAD                | 0.8152       | 0.9058 |
| NZD/USD               | 0.5895 | 0.0000     | 0.0000             | 0.0001  | 0.0004           | CHF                | 0.5205       | 0.5780 |
| NZD/AUD               | 0.8998 | -0.0007    | -0.0018            | -0.0026 | -0.0020          | CNY                | 4.2689       | 4.7467 |
| NZD/JPY               | 90.620 | -0.42      | -1.23              | -2.34   | -4.12            | DKK                | 4.0496       | 4.5019 |
| NZD/EUR               | 0.5426 | -0.0008    | -0.0024            | -0.0046 | -0.0084          | FJD                | 1.3114       | 1.4578 |
| NZD/GBP               | 0.4579 | -0.0001    | -0.0003            | -0.0004 | 0.0000           | HKD                | 4.5996       | 5.1133 |
|                       |        |            |                    |         |                  | KRW                | 815.29       | 906.34 |
| AU TWI                | 62.10  |            |                    |         |                  | MYR                | 2.7427       | 3.0490 |
| AUD/USD               | 0.6550 | 0.0005     | 0.0013             | 0.0020  | 0.0019           | NOK                | 6.4656       | 7.1876 |
| AUD/NZD               | 1.1106 | 0.0008     | 0.0021             | 0.0028  | 0.0015           | SEK                | 6.3698       | 7.0812 |
| AUD/JPY               | 100.73 | -0.39      | -1.17              | -2.33   | -4.40            | SGD                | 0.7906       | 0.8789 |
| AUD/EUR               | 0.6028 | -0.0004    | -0.0015            | -0.0035 | -0.0082          | TWD                | 19.32        | 21.48  |
| AUD/GBP               | 0.5087 | 0.0002     | 0.0007             | 0.0010  | 0.0010           | ZAR                | 10.79        | 11.99  |
| USD Index             | 104.33 |            |                    |         |                  | <b>EQUITIES</b>    |              |        |
| EUR/USD               | 1.0862 | 0.0016     | 0.0047             | 0.0094  | 0.0178           |                    | <b>Index</b> |        |
| USD/JPY               | 153.72 | -0.71      | -2.07              | -4.00   | -7.11            | NZX50              | 12,349       |        |
| GBP/USD               | 1.2872 | 0.0003     | 0.0008             | 0.0012  | 0.0008           | ASX200             | 7,921        |        |
| EUR/GBP               | 0.8434 | 0.0010     | 0.0030             | 0.0064  | 0.0128           | Dow Jones          | 40,589       |        |
|                       |        |            |                    |         |                  | S&P 500            | 5,459        |        |
| <b>INTEREST RATES</b> |        |            | <b>New Zealand</b> |         | <b>Australia</b> | FTSE100            | 8,286        |        |
|                       |        |            | <b>Mid</b>         |         | <b>Mid</b>       | DAX 30             | 18,418       |        |
| 30 day bank bills     |        |            | 5.57%              |         | 4.38%            | Nikkei             | 37,667       |        |
| 90 day bank bills     |        |            | 5.48%              |         | 4.54%            | <b>COMMODITIES</b> |              |        |
| 1 year swap           |        |            | 4.80%              |         | 4.37%            |                    | <b>USD</b>   |        |
| 2 year swap           |        |            | 4.19%              |         | 4.15%            | Brent Crude        | 81.13        |        |
| 3 year swap           |        |            | 3.94%              |         | 4.01%            | Gold               | 2,385.58     |        |
| 5 year swap           |        |            | 3.86%              |         | 4.17%            | Silver             | 27.89        |        |
| 10 year swap          |        |            | 4.08%              |         | 4.38%            | Iron Ore           | 106.86       |        |
| 3 year Govt bond      |        |            | 4.14%              |         | 4.00%            | CRB Index          | 326.80       |        |
| 5 year Govt bond      |        |            | 4.11%              |         | 4.05%            |                    | <b>NZD</b>   |        |
| 10 year Govt bond     |        |            | 4.45%              |         | 4.39%            | NZ Carbon          | 51.00        |        |

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