

Market Alert

Monday 05 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5975	-0.0004
NZD/AUD	0.9170	-0.0029
NZD/JPY	87.550	-2.23
NZD/EUR	0.5469	-0.0047
NZD/GBP	0.4666	-0.0005
NZD/CNH	4.2860	-0.0690
AUD/USD	0.6505	0.0016
AUD/EUR	0.5954	-0.0033
EUR/USD	1.0923	0.0086
USD/CNH	7.1629	-0.1108
GBP/USD	1.2801	0.0004
EUR/GBP	0.8521	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.44%	4.46%
2 year swap	4.13%	3.74%
10 year Govt	4.32%	4.14%

A poor US jobs report...

US nonfarm payroll numbers hit the press last Friday, coming in well below expectations of an increase of 185k for July. The actual number came in at just 114k, also well below June's reading of 179k. This made the unemployment rate edge higher, to 4.3%, its highest reading since October 2021, the middle of the pandemic. Compensation also came in below expectations, average hourly earnings increased only 0.2% for the month and 3.6% on the year, against 0.3% and 3.7% respectively.

The weak report sent treasury yields tumbling, as major US banks such as JP Morgan, Goldman Sachs and Citigroup have made the call for a 50bps cut in September from the Fed. Most already

saw a 25bps cut at the Fed's next meeting as a done deal ahead of the jobs report. Markets are now pricing in 4 to 5 cuts by the end of the year. Regardless, the 10-year stooped to a 31-week low of 3.79% - down a massive 18bps on Friday and almost 40bps over the week. The 2-year fell by almost 30bps to 3.88%. This will see local swap markets open lower today and give the RBNZ more confidence that US cuts are not far away, hopefully giving the RBNZ more breathing room with regards to interest rate cuts this year.

On the back of the weak jobs data the USD index went down nearly one big figure, from 104.2 to 103.2. Notably the USD/JPY continued its march south, currently at 146.53, down around 1.9%, as carry trades continue to be unwound. However, the NZD/USD and AUD/USD didn't move as much, appreciating by 0.2% and 0.3%, respectively.

Fed members, Goolsbee and Barkin, took to the wires to air their thoughts on the report, and to rebuff expectations of a double cut. Barkin said, "*More significant reductions typically would be associated with an economy that feels like it's deteriorating rapidly. And again, 114,000 jobs, while not as good as we've been running, on a long-term basis, is a reasonable number*" While Goolsbee followed up afterward with "*It's one month's number, it's a negative number, this negative number fits into the through-line of – hey, better be careful, if you're going to be as restrictive as we've been.*"

The weak jobs data has led Goldman economists to increase their odds for a US recession next year from 10% to 25%.

So what else happened?

Not much! In China, the PBoC said they will be pushing commercial banks to "do more" for the "real economy", wanting to shift the focus towards boosting consumption over the coming months. This likely means more debt issued for projects that have immediate effect rather than long term gains. Think credit card debt versus the typical massive infrastructure projects that we are so used to seeing China undertaking.

Another feature of the meeting were pleas to the central bank to allow for higher inflation as a means to spur spending and increase growth.

What to watch

The week is a slower week for data releases, the most notable releases are; policy announcement from the RBA on Tuesday, and the latest labour market update locally on Wednesday, PMIs from all over the place, and the latest CPI and PPI figures from China. Expect Middle-East tensions to also be in the headlines, giving another dimension to the 'risk-off' market mode.



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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	70.00					CAD	0.8273	0.9031
NZD/USD	0.5975	0.0000	0.0000	-0.0004	-0.0013	CHF	0.5112	0.5577
NZD/AUD	0.9170	-0.0008	-0.0020	-0.0029	-0.0032	CNY	4.2714	4.6672
NZD/JPY	87.550	-0.40	-1.16	-2.23	-3.89	DKK	4.0764	4.4484
NZD/EUR	0.5469	-0.0008	-0.0024	-0.0047	-0.0089	FJD	1.3226	1.4433
NZD/GBP	0.4666	-0.0001	-0.0004	-0.0005	-0.0004	HKD	4.6533	5.0779
						KRW	808.69	882.49
AU TWI	61.20					MYR	2.6795	2.9240
AUD/USD	0.6505	0.0006	0.0013	0.0016	0.0008	NOK	6.5134	7.1078
AUD/NZD	1.0925	0.0009	0.0022	0.0031	0.0030	SEK	6.2866	6.8604
AUD/JPY	95.37	-0.38	-1.06	-2.14	-3.88	SGD	0.7908	0.8630
AUD/EUR	0.5954	-0.0004	-0.0014	-0.0033	-0.0076	TWD	19.41	21.19
AUD/GBP	0.5078	0.0003	0.0007	0.0011	0.0015	ZAR	10.89	11.89
USD Index	103.22					EQUITIES		
EUR/USD	1.0923	0.0016	0.0046	0.0086	0.0152		Index	
USD/JPY	146.54	-0.68	-1.92	-3.60	-6.11	NZX50	12,453	
GBP/USD	1.2801	0.0005	0.0008	0.0004	-0.0027	ASX200	7,943	
EUR/GBP	0.8521	0.0009	0.0029	0.0063	0.0130	Dow Jones	39,737	
						S&P 500	5,347	
INTEREST RATES			New Zealand		Australia	FTSE100	8,175	
			Mid		Mid	DAX 30	17,661	
30 day bank bills			5.53%		4.36%	Nikkei	35,910	
90 day bank bills			5.44%		4.46%	COMMODITIES		
1 year swap			4.74%		4.16%		USD	
2 year swap			4.14%		3.75%	Brent Crude	76.81	
3 year swap			3.90%		3.60%	Gold	2,443.29	
5 year swap			3.80%		3.78%	Silver	28.55	
10 year swap			3.99%		4.05%	Iron Ore	104.00	
3 year Govt bond			4.04%		3.69%	CRB Index	318.57	
5 year Govt bond			4.00%		3.76%		NZD	
10 year Govt bond			4.32%		4.12%	NZ Carbon	53.65	

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