

Market Alert

Thursday 01 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5950	0.0000
NZD/AUD	0.9100	-0.0033
NZD/JPY	89.125	-2.31
NZD/EUR	0.5500	-0.0048
NZD/GBP	0.4630	-0.0005
NZD/CNH	4.2986	-0.0590
AUD/USD	0.6538	0.0022
AUD/EUR	0.6044	-0.0033
EUR/USD	1.0817	0.0093
USD/CNH	7.2237	-0.0993
GBP/USD	1.2847	0.0011
EUR/GBP	0.8415	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.46%	4.54%
2 year swap	4.21%	3.87%
10 year Govt	4.41%	4.20%

August is a big month on the home front ...

... given there are 4 birthdays within an 8-day period. Yes... you guessed it, there's lots of wrapping paper, lots of eating, the odd celebratory drink, and a mammoth hole on my credit card. Oh well ... life is to be lived ... but don't expect a great deal of sense out of me over the next week or so!

"It's the final countdown."

Sung the band Europe, and it looks like that's Jerome Powell's favourite song! While the Fed left their benchmark rate unchanged for the eighth straight meeting, a tweak in the language acknowledged "some further progress" towards their inflation goal, opening the

door for a September rate cut. It would appear the Fed wants to study 2-more sets of inflation and job reports ahead of a decision at their September meeting.

In the Q&A session, Chair Powell stated, *"The question will be; where the totality of the data, the evolving outlook, and balance of risks are consistent with rising confidence and maintaining a solid labour market. If that test is met, the reduction of the policy rate could be on the meeting as soon as September. I can imagine a scenario in which there would be everywhere from zero cuts to several cuts," before adding, "The job is not done on inflation. Nonetheless, we can afford to begin to dial back the restriction in the policy rate. You would think, in the base case, that policy rates would move down from here."*

If it was the BoJ's intention to confuse me they did an excellent job of it. Contradictory, the BoJ hiked their cash rate by 0.15bps to 0.25% but held off reducing their QE programme until Q1 2026! This flattened their yield curve. On the cash rate, 2 of the 9 voters dissented against the rate hike while, on their bond purchases, they plan to reduce their purchases from Q1 2026 by 50%, to JPY3trn per month, although this will be reviewed in June 2025. I suppose you could call it a dovish hike, but it seems the wrong way round to me.

Australian mortgage holders will be feeling relieved after headline inflation printed in line with forecasts at 1.0% on

the quarter and 3.8% on the year, while the trimmed mean, or core, printed lower at 0.8% and 3.9% against forecasts at 1.0% and 4.0%. The negative was that retail sales were higher, at 0.5% verse the expected 0.2%, but it was ignored.

Meanwhile, Chinese PMIs compressed, with manufacturing falling from 49.5 to 49.4, while services fell to an 8-month low dropping from 50.5 to 50.2. Euro-zone inflation unexpectedly edged up to 2.6% from June's 2.5%. The NZ business outlook index jumped sharply to 27.1 from June's 6.1. It was the index's first rise in 6-months with the inflation expectations falling from 3.5% to 3.2%.

So, what does it all mean?

Let us start with the currencies. Initially the BoJ decision did not go down well, with the JPY sold before the European open saw the JPY resume its grind higher. But whereas the prior JPY unwind had weighed on the NZD and AUD, the Fed 'adjustment' saw the USD-index weaken to assess support at the 104.00 level. The focus will now be on Friday's non-farms report. The NZD also firmed against the AUD post the CPI print, spiking above 0.9100, while the JPY unwind saw NZD/JPY trade below the 89.00 level. Bond yields fell globally, apart from in Japan, with the US 2 and 10-years down -8bps to 4.28% and 4.06%, while the AUD 10-years fell -17bps to 4.12%. Equity and commodity markets rallied.



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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	69.70					CAD	0.8214	0.9029
NZD/USD	0.5950	0.0000	0.0000	0.0000	0.0001	CHF	0.5221	0.5739
NZD/AUD	0.9100	-0.0007	-0.0020	-0.0033	-0.0041	CNY	4.2973	4.7236
NZD/JPY	89.125	-0.42	-1.23	-2.31	-4.00	DKK	4.1033	4.5104
NZD/EUR	0.5500	-0.0008	-0.0024	-0.0048	-0.0091	FJD	1.3212	1.4522
NZD/GBP	0.4630	-0.0001	-0.0003	-0.0005	-0.0002	HKD	4.6469	5.1079
						KRW	814.04	894.79
AU TWI	61.40					MYR	2.7313	3.0022
AUD/USD	0.6538	0.0005	0.0014	0.0022	0.0026	NOK	6.4933	7.1374
AUD/NZD	1.0986	0.0008	0.0022	0.0036	0.0036	SEK	6.3779	7.0105
AUD/JPY	97.93	-0.39	-1.15	-2.22	-4.05	SGD	0.7950	0.8738
AUD/EUR	0.6044	-0.0004	-0.0014	-0.0033	-0.0078	TWD	19.46	21.39
AUD/GBP	0.5086	0.0003	0.0007	0.0012	0.0017	ZAR	10.83	11.91
USD Index	104.02					EQUITIES		
EUR/USD	1.0817	0.0016	0.0047	0.0093	0.0179		Index	
USD/JPY	149.78	-0.71	-2.07	-3.87	-6.73	NZX50	12,405	
GBP/USD	1.2847	0.0004	0.0008	0.0011	0.0002	ASX200	8,092	
EUR/GBP	0.8415	0.0010	0.0031	0.0064	0.0135	Dow Jones	40,843	
						S&P 500	5,529	
INTEREST RATES			New Zealand		Australia	FTSE100	8,368	
			Mid		Mid	DAX 30	18,509	
30 day bank bills			5.53%		4.39%	Nikkei	39,102	
90 day bank bills			5.46%		4.54%	COMMODITIES		
1 year swap			4.82%		4.18%		USD	
2 year swap			4.23%		3.89%	Brent Crude	80.72	
3 year swap			3.98%		3.75%	Gold	2,449.27	
5 year swap			3.89%		3.93%	Silver	28.94	
10 year swap			4.07%		4.18%	Iron Ore	106.25	
3 year Govt bond			4.12%		3.87%	CRB Index	327.90	
5 year Govt bond			4.09%		3.93%		NZD	
10 year Govt bond			4.41%		4.26%	NZ Carbon	52.50	

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