

Market Alert

Friday 02 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5950	-0.0002
NZD/AUD	0.9146	-0.0032
NZD/JPY	89.120	-2.28
NZD/EUR	0.5514	-0.0048
NZD/GBP	0.4669	-0.0006
NZD/CNH	4.3158	-0.0639
AUD/USD	0.6505	0.0020
AUD/EUR	0.6028	-0.0032
EUR/USD	1.0790	0.0089
USD/CNH	7.2537	-0.1055
GBP/USD	1.2742	0.0011
EUR/GBP	0.8465	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.46%	4.47%
2 year swap	4.17%	3.84%
10 year Govt	4.35%	4.17%

BoE narrowly votes "yes" on cut

The Bank of England kicked off its interest rate cutting cycle overnight, announcing a 0.25% cut to drop the key rate to 5.00%. It came down to the last vote to make the decision; five committee members voted for the cut, while four voted against it. Markets had priced in a 61% probability of a cut ahead of the meeting and are now pricing in nearly two more cuts before the end of the year.

Following the move, BoE Governor, Andrew Bailey spoke to Bloomberg TV where he attempted to set market expectations on future cuts and the eventual 'neutral' rate. "Don't expect we're going back to zero because zero was the product of huge global shocks. We'll be lower than we are today but I think it's very clear that we're not going back to zero." He also commented that "I'm not giving you

any view on the path of rates to come – I'm saying we will go from meeting to meeting, as we always do, we've become sufficiently confident now that we think we can reduce that degree of restrictiveness a bit, and we will go on making that judgment."

Manufacturing PMIs drop in the world's two biggest economies

The Caixin China Manufacturing PMI slipped to 49.8 in July, from 51.8, widely missing market forecasts of 51.5 and going into contractionary territory. This was the first fall in factory activity since last October.

The report also stated that new orders declined, with consumer goods outperforming investment goods. Employment remained steady despite a shrinking labour market, and input costs rose, but selling prices decreased due to wider competition.

Reflecting a similar troubling trajectory, in the US, the ISM Manufacturing PMI fell to 46.6 in July, from 48.5 the previous month, firmly below market expectations of 48.8. This makes for the sharpest contraction in factory activity since November 2023 and marks the 20th decline in activity during the last 21 months. There was a fresh contraction in new orders, production and employment, while input prices rose.

Following the weak PMI print, initial jobless claims came in at 249k for the week, its highest print in almost a year. This weak US data sent US Treasury yields lower, the 2-year fell 9bp to 4.16%,

while the 10-year fell below 4.00% for the first time since January, to be currently at 3.98%. This should help local swaps open lower this morning and reinforces the downward trend in yields. Tonight's US non-farm payrolls data is the piece de resistance of data for the week and will be an important piece of the puzzle for the Fed and market expectations for a September start to the US cutting cycle.

The weaker data out of the US led to some volatility overnight, with the USD weakening initially but it has since recovered to where it was yesterday. The NZD/USD spiked to 0.5980 for a short period of time but is currently also back where it left off yesterday. The AUD/USD initially dipped below 0.6500 but is hovering around this level currently, while on the back of the BoE's rate cut, the NZD/GBP is currently up 0.9% overnight to 0.4670.

Australian Trade Surplus widens

Australia's trade surplus on goods increased to AUD5.59 billion in June 2024 from a downwardly revised AUD5.05 billion. The change was driven by exports growing at a larger rate than imports, exports rose 1.7% to a 4-month high of 43.8 billion while imports grew by 0.5% to a 3-month high of 38.2 billion.



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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	69.90					CAD	0.8252	0.9023
NZD/USD	0.5950	0.0000	0.0000	-0.0002	-0.0004	CHF	0.5197	0.5682
NZD/AUD	0.9146	-0.0007	-0.0019	-0.0032	-0.0035	CNY	4.3095	4.7122
NZD/JPY	89.120	-0.41	-1.18	-2.28	-3.99	DKK	4.1137	4.4982
NZD/EUR	0.5514	-0.0008	-0.0024	-0.0048	-0.0091	FJD	1.3238	1.4475
NZD/GBP	0.4669	-0.0002	-0.0004	-0.0006	-0.0007	HKD	4.6494	5.0839
						KRW	814.41	890.53
AU TWI	61.50					MYR	2.7169	2.9708
AUD/USD	0.6505	0.0005	0.0013	0.0020	0.0019	NOK	6.5131	7.1219
AUD/NZD	1.0932	0.0008	0.0022	0.0034	0.0034	SEK	6.3842	6.9808
AUD/JPY	97.42	-0.37	-1.09	-2.17	-3.99	SGD	0.7953	0.8697
AUD/EUR	0.6028	-0.0004	-0.0014	-0.0032	-0.0076	TWD	19.51	21.33
AUD/GBP	0.5105	0.0002	0.0006	0.0010	0.0013	ZAR	10.87	11.88
USD Index	104.36					EQUITIES		
EUR/USD	1.0790	0.0015	0.0046	0.0089	0.0168		Index	
USD/JPY	149.77	-0.69	-1.98	-3.78	-6.55	NZX50	12,488	
GBP/USD	1.2742	0.0005	0.0010	0.0011	0.0001	ASX200	8,115	
EUR/GBP	0.8465	0.0009	0.0029	0.0061	0.0128	Dow Jones	40,327	
						S&P 500	5,431	
INTEREST RATES			New Zealand		Australia	FTSE100	8,283	
			Mid		Mid	DAX 30	18,083	
30 day bank bills			5.53%		4.36%	Nikkei	38,126	
90 day bank bills			5.46%		4.47%	COMMODITIES		
1 year swap			4.79%		4.17%		USD	
2 year swap			4.19%		3.86%	Brent Crude	80.23	
3 year swap			3.94%		3.74%	Gold	2,443.21	
5 year swap			3.83%		3.89%	Silver	28.51	
10 year swap			4.01%		4.12%	Iron Ore	100.10	
3 year Govt bond			4.06%		3.74%	CRB Index	322.61	
5 year Govt bond			4.03%		3.80%		NZD	
10 year Govt bond			4.35%		4.15%	NZ Carbon	52.95	

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