

Market Alert

Tuesday 20 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6107	0.0003
NZD/AUD	0.9074	-0.0022
NZD/JPY	89.510	-2.17
NZD/EUR	0.5509	-0.0043
NZD/GBP	0.4701	-0.0001
NZD/CNH	4.3544	-0.0694
AUD/USD	0.6728	0.0019
AUD/EUR	0.6069	-0.0034
EUR/USD	1.1084	0.0090
USD/CNH	7.1298	-0.1159
GBP/USD	1.2990	0.0008
EUR/GBP	0.8532	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.24%	4.41%
2 year swap	3.81%	3.75%
10 year Govt	4.26%	4.00%

Last night was a non-event ...

... so let's kick straight into it!

Last night was all about the dollar

... the US-dollar, which fell to a 7-month low on the USD-index, but it was also about the NZ-dollar, which was the strongest performer, rallying above the 0.6100 level to be at its highest level since mid-July. The AUD also performed strongly, while the EUR underperformed in the rally although, it closed above a key support level as it closes in on an 8-month high. Interestingly, the JPY made gains against the USD and EUR, but fell against the NZD and AUD. Bond yields were mixed, with the US 2-years firming 1bps to 4.07%, while the 10-years eased -2bps to 3.87%. The NZ 10-year Govvie firmed 4bps to 4.19%.

Once again equity markets were awash with green, with the Asian, European and US bourses all posting solid gains in the region of 0.5%-1.0%. Commodity markets also saw some interesting moves with Chinese steel rebar prices rallying off their 8-year low of CNY2,790 to trade above the CNY3,000 level, while natural gas surged 5.0% approaching a 1-month high amid tightening supply and demand. In amongst the gains, crude prices fell -3.1%, while Brent eased -2.6%.

Overnight, there was little in the way of data, with the US Conference Board economic index falling by -0.6% in July to 100.4, following June's -0.2% decline. Apart from that, Goldman has cut its odds of a US recession to 20%.

San Fran Fed President, Mary Daly, has been a bit quiet lately, but she's bounced back in style with an article on the front page of the FT pushing back on concerns of sharp US slowdown calling for a "Prudent approach to lowering rates. The recent data gives more confidence inflation is under control. There is no need for dramatic response to the weakening labour market." Chicago President, Austan Goolsbee, then added, "US credit conditions are tight and are getting tighter. When you set a rate high like we have, and hold it there while inflation falls, you're actually tightening. If you keep too tight for too long, you will have a problem on the employment side of the Fed's mandate." Minneapolis Fed President, Neel Kashkari, suggested it will be appropriate to discuss rate cuts at the Fed's September meeting due to the

rising possibility of a weakening labour market as "The balance of risks has shifted, so the debate about potentially cutting rates in September is an appropriate one to have."

Could the RBNZ do (another) about turn at its October meeting? Who knows, but following on from last week's stronger than expected PPI print, services PMIs jumped higher Although it was only from 40.2 to 44.6. This saw the composite firm to 44.3. Also, an AUT unemployment model that measures NZ unemployment on a monthly basis, rather than Stats NZ's quarterly model, forecasts unemployment reached 4.8% in July.

That's a worrying thought!

JP Morgan suggested the recent equity sell-off was a "dress rehearsal for what's to come!"

What price for a hat? Well, USD630k if it's the one worn by Harrison Ford in 1984's 'Indiana Jones and the Temple of Doom' movie. It's not bad, but it's not a patch on 'Raiders of the Lost Ark' or my favourite, 'Indiana Jones and the Last Crusade.'



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Daily Rates

Tuesday 20 August 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.8327	0.9178
NZD/USD	0.6107	0.0001	0.0002	0.0003	0.0005	CHF	0.5267	0.5805
NZD/AUD	0.9074	-0.0007	-0.0016	-0.0022	-0.0019	CNY	4.3591	4.8031
NZD/JPY	89.510	-0.44	-1.14	-2.17	-3.79	DKK	4.1106	4.5293
NZD/EUR	0.5509	-0.0008	-0.0022	-0.0043	-0.0078	FJD	1.3352	1.4712
NZD/GBP	0.4701	-0.0001	-0.0002	-0.0001	0.0007	HKD	4.7552	5.2396
						KRW	812.41	895.17
AU TWI	61.80					MYR	2.6732	2.9455
AUD/USD	0.6728	0.0006	0.0014	0.0019	0.0019	NOK	6.4440	7.1004
AUD/NZD	1.1018	0.0007	0.0018	0.0024	0.0011	SEK	6.2964	6.9378
AUD/JPY	98.63	-0.40	-1.09	-2.19	-3.98	SGD	0.7987	0.8800
AUD/EUR	0.6069	-0.0004	-0.0014	-0.0034	-0.0074	TWD	19.48	21.47
AUD/GBP	0.5179	0.0003	0.0007	0.0010	0.0018	ZAR	10.81	11.91
USD Index	101.87					EQUITIES		
EUR/USD	1.1084	0.0017	0.0047	0.0090	0.0167		Index	
USD/JPY	146.57	-0.74	-1.91	-3.62	-6.33	NZX50	12,662	
GBP/USD	1.2990	0.0005	0.0009	0.0008	-0.0011	ASX200	7,980	
EUR/GBP	0.8532	0.0010	0.0030	0.0064	0.0133	Dow Jones	40,840	
						S&P 500	5,594	
INTEREST RATES			New Zealand		Australia	FTSE100	8,357	
			Mid		Mid	DAX 30	18,422	
30 day bank bills			5.36%		4.35%	Nikkei	37,389	
90 day bank bills			5.24%		4.41%	COMMODITIES		
1 year swap			4.42%		4.03%		USD	
2 year swap			3.83%		3.76%	Brent Crude	77.68	
3 year swap			3.63%		3.64%	Gold	2,503.70	
5 year swap			3.62%		3.81%	Silver	29.24	
10 year swap			3.90%		4.07%	Iron Ore	97.81	
3 year Govt bond			3.80%		3.59%	CRB Index	326.73	
5 year Govt bond			3.85%		3.66%		NZD	
10 year Govt bond			4.26%		4.02%	NZ Carbon	56.00	

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