

Market Alert

Wednesday 21 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6154	0.0001
NZD/AUD	0.9123	-0.0024
NZD/JPY	89.450	-2.20
NZD/EUR	0.5532	-0.0044
NZD/GBP	0.4722	-0.0002
NZD/CNH	4.3798	-0.0717
AUD/USD	0.6744	0.0018
AUD/EUR	0.6061	-0.0033
EUR/USD	1.1125	0.0090
USD/CNH	7.1172	-0.1169
GBP/USD	1.3033	0.0005
EUR/GBP	0.8534	0.0065

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.25%	4.42%
2 year swap	3.87%	3.71%
10 year Govt	4.29%	4.04%

More houses selling for less

The number of properties in NZ sold increased by 14.5% compared to July last year and by 19.7% for the month, jumping to 5806. The median price declined by -2.2% over the year and -1.5% over the month, decreasing to NZD753k. The REINZ housing price index showed a 0.2% increase over the year and a -0.3% decrease on the month. REINZ CEO Jen Baird stated, "Despite ongoing economic challenges, early signs suggest potential improvement, indicating favourable conditions in the residential property landscape might be on the horizon."

RBA looking hawkish

The RBA meeting minutes were released yesterday for the board meeting held

on 6 August. The minutes revealed that the RBA had considered a rate hike due to concerns that inflation would remain sticky for longer, before ultimately deciding to hold the rate steady to best balance the prevailing risks to inflation with those surrounding the outlook for the labour market. The decision was influenced by uncertainty around staff forecasts, market volatility, and market expectations.

The RBA's inflation forecast was revised higher from their May meeting, reflecting stronger expectations of aggregate demand and weaker expectations of potential supply, with inflation now expected to reach the midpoint of the 2.0%-3.0% target range in 2026. Headline inflation is expected to dip below 3.0% in the year ahead due to new and extended electricity rebates and rent assistance, before rebounding following legislated unwinding of some of these policies in mid-2025.

Wrapped up

As expected by markets, China kept their 1 and 5-year loan prime rates ("LPRs") unchanged at 3.35% and 3.85%, respectively. The LPRs were lowered in July by 10bps each, the first cuts in nearly a year, signalling intent to improve economic growth. Markets are pricing in a 25bps cut to the reserve requirement ratio in Q3 of 2024, followed by a 10bps policy rate cut in Q4.

Last night's GDT auction brought much

needed positive news for dairy farmers, who have had their profitability squeezed by rising input prices such as the current spike in electricity prices. The GDT index increased by 5.5%, amongst the winners, key products WMP and SMP increased by 7.2% and 4.0% respectively. It is thought that the boost in Chinese demand at this auction comes from Chinese consumers seeking alternative forms of protein as local pork prices have increased markedly.

We also had Eurozone's July CPI out, which printed in line with market expectations, headline CPI printed at 0.0% for the month and 2.6% for the year, while core CPI printed deflationary at -0.2% for the month, which brought the annual number down to 2.9%. Market pricing is approximately the same as before the release with a cut fully priced in at the ECB's next meeting on 12 September.

There was further weakness out of the US overnight due to growing fears about tonight's US Payrolls Benchmark. Goldman estimates that revisions to US employment figures could see up to 1 million jobs 'wiped' out. On the back of this the USD index fell by ~50 pts to currently be at 101.41, which saw the NZD and AUD appreciate further, the NZD is currently above the 0.6150 level, while the AUD is just below 0.6750. US Treasury yields also fell, with the 2-year falling 7 bp, while the 10-year fell 6bp, to currently be at 3.99% and 3.82% respectively. This should help see local swap rates open lower today.



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Daily Rates

Wednesday 21 August 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.60					CAD	0.8381	0.9189
NZD/USD	0.6154	0.0001	0.0002	0.0001	-0.0003	CHF	0.5258	0.5766
NZD/AUD	0.9123	-0.0007	-0.0016	-0.0024	-0.0026	CNY	4.3862	4.8075
NZD/JPY	89.450	-0.42	-1.16	-2.20	-3.82	DKK	4.1268	4.5232
NZD/EUR	0.5532	-0.0007	-0.0022	-0.0044	-0.0083	FJD	1.3417	1.4706
NZD/GBP	0.4722	-0.0001	-0.0002	-0.0002	0.0003	HKD	4.7921	5.2524
						KRW	817.47	895.99
AU TWI	62.20					MYR	2.6919	2.9505
AUD/USD	0.6744	0.0006	0.0014	0.0018	0.0015	NOK	6.4592	7.0796
AUD/NZD	1.0960	0.0007	0.0018	0.0025	0.0017	SEK	6.2773	6.8802
AUD/JPY	98.05	-0.39	-1.10	-2.18	-3.98	SGD	0.8024	0.8794
AUD/EUR	0.6061	-0.0004	-0.0014	-0.0033	-0.0077	TWD	19.62	21.50
AUD/GBP	0.5174	0.0003	0.0007	0.0011	0.0017	ZAR	10.96	12.01
USD Index	101.41					EQUITIES		
EUR/USD	1.1125	0.0017	0.0047	0.0090	0.0163		Index	
USD/JPY	145.34	-0.70	-1.92	-3.63	-6.20	NZX50	12,558	
GBP/USD	1.3033	0.0005	0.0008	0.0005	-0.0017	ASX200	7,998	
EUR/GBP	0.8534	0.0009	0.0030	0.0065	0.0135	Dow Jones	40,835	
						S&P 500	5,598	
INTEREST RATES			New Zealand		Australia	FTSE100	8,273	
			Mid		Mid	DAX 30	18,358	
30 day bank bills			5.36%		4.35%	Nikkei	38,063	
90 day bank bills			5.25%		4.42%	COMMODITIES		
1 year swap			4.53%		4.04%		USD	
2 year swap			3.89%		3.73%	Brent Crude	77.21	
3 year swap			3.69%		3.60%	Gold	2,515.59	
5 year swap			3.67%		3.78%	Silver	29.43	
10 year swap			3.93%		4.04%	Iron Ore	98.10	
3 year Govt bond			3.85%		3.60%	CRB Index	326.82	
5 year Govt bond			3.89%		3.67%		NZD	
10 year Govt bond			4.29%		4.02%	NZ Carbon	60.00	

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