

Market Alert

Thursday 22 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6159	0.0000
NZD/AUD	0.9136	-0.0023
NZD/JPY	89.335	-2.18
NZD/EUR	0.5523	-0.0043
NZD/GBP	0.4706	-0.0001
NZD/CNH	4.3891	-0.0716
AUD/USD	0.6740	0.0017
AUD/EUR	0.6044	-0.0034
EUR/USD	1.1151	0.0088
USD/CNH	7.1256	-0.1165
GBP/USD	1.3086	0.0003
EUR/GBP	0.8517	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.25%	4.43%
2 year swap	3.85%	3.68%
10 year Govt	4.24%	3.98%

The minutes from the Federal Reserve's meeting ...

... highlighted the likelihood the Federal Reserve will initiate its cutting cycle in September with 'several members' even willing to cut the Fed Funds rate at the August meeting. Within the detail, policymakers noted that there has been further progress toward the central banks 2.0% inflation target, although there was the caveat that inflation remains somewhat elevated. Recent indicators also suggested that economic activity has continued to expand at a solid pace, that job gains had moderated, and that while the unemployment rate has moved up, it has remained low. To

conclude, the central bank judged that the risks to achieving its employment and inflation goals had become more balanced.

The other big piece of news overnight was also from the US with the Bureau of Labor Statistics who downwardly revised its employment numbers by an incredible 818k in the year to March 2024. This revision added to concerns of a slowing labour market, which also supported the narrative of a September start to the cutting Fed's cycle.

The Fed minutes and the lower employment numbers saw US Treasuries ease back with the 2 and 10-years dropping -5bps and -2bps to reach 3.94% and 3.79%, with the 10-year yield reaching its lowest level in 14-months, while the USD-index continued its downward trajectory falling to the 101.10 level, although most of the USD's gains were against the EUR which rose to a 1-year high. The NZD also posted a modest gain against the USD, although the NZD and AUD were lower against the other currencies.

Equity markets continued their recent trend of posting incremental gains with most exchanges posting gains in the 0.3%-0.8% range, while commodity markets saw broad based weakness in the energy sector with oil prices -1.8% lower, while the other products were mixed.

To be honest, apart from that ...

... there wasn't much to report.

Japan's exports rose 10.3% in the July year, lower than the expected 11.5% but still up for the 8-month in a row and better than the prior 5.4% with the weaker JPY playing a significant factor in boosting sales. Imports were up 16.6% for the year, higher than the expected 14.6%, and far greater than the previous figure of 3.2%. Overall, there was a trade balance deficit of JPY621.8b.

In New Zealand the main news was that the Government has limited the amount of NZU's that it will offer to the market over the next 5-years, given that the market is currently oversupplied with units. This saw the spot price firm NZD5 to the NZD60 level for the first time since March, with the Government also upgrading its 2025 auction floor price from NZD64 to NZD68.



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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	70.80					CAD	0.8372	0.9166
NZD/USD	0.6159	0.0001	0.0001	0.0000	-0.0006	CHF	0.5242	0.5742
NZD/AUD	0.9136	-0.0007	-0.0016	-0.0023	-0.0025	CNY	4.3900	4.8057
NZD/JPY	89.335	-0.41	-1.17	-2.18	-3.82	DKK	4.1204	4.5106
NZD/EUR	0.5523	-0.0007	-0.0022	-0.0043	-0.0087	FJD	1.3423	1.4694
NZD/GBP	0.4706	-0.0001	-0.0002	-0.0001	0.0002	HKD	4.7981	5.2524
						KRW	820.80	898.52
AU TWI	62.30					MYR	2.6937	2.9488
AUD/USD	0.6740	0.0006	0.0013	0.0017	0.0013	NOK	6.4666	7.0790
AUD/NZD	1.0945	0.0007	0.0018	0.0025	0.0021	SEK	6.2723	6.8662
AUD/JPY	97.76	-0.38	-1.11	-2.16	-3.95	SGD	0.8036	0.8797
AUD/EUR	0.6044	-0.0004	-0.0014	-0.0034	-0.0080	TWD	19.64	21.50
AUD/GBP	0.5148	0.0003	0.0007	0.0010	0.0017	ZAR	10.98	12.02
USD Index	101.14					EQUITIES		
EUR/USD	1.1151	0.0016	0.0047	0.0088	0.0162		Index	
USD/JPY	145.04	-0.68	-1.93	-3.56	-6.12	NZX50	12,503	
GBP/USD	1.3086	0.0004	0.0008	0.0003	-0.0022	ASX200	8,011	
EUR/GBP	0.8517	0.0009	0.0031	0.0064	0.0136	Dow Jones	40,890	
						S&P 500	5,611	
INTEREST RATES			New Zealand		Australia	FTSE100	8,283	
			Mid		Mid	DAX 30	18,449	
30 day bank bills			5.36%		4.35%	Nikkei	37,952	
90 day bank bills			5.25%		4.43%	COMMODITIES		
1 year swap			4.50%		4.02%		USD	
2 year swap			3.87%		3.69%	Brent Crude	76.08	
3 year swap			3.66%		3.56%	Gold	2,511.94	
5 year swap			3.64%		3.74%	Silver	29.55	
10 year swap			3.88%		4.01%	Iron Ore	97.99	
3 year Govt bond			3.84%		3.55%	CRB Index	325.67	
5 year Govt bond			3.87%		3.62%		NZD	
10 year Govt bond			4.24%		3.98%	NZ Carbon	59.75	

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