

# Market Alert

Friday 30 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6262	0.0000
NZD/AUD	0.9209	-0.0020
NZD/JPY	90.695	-2.17
NZD/EUR	0.5651	-0.0044
NZD/GBP	0.4754	-0.0001
NZD/CNH	4.4500	-0.0715
AUD/USD	0.6800	0.0014
AUD/EUR	0.6137	-0.0034
EUR/USD	1.1080	0.0085
USD/CNH	7.0945	-0.1145
GBP/USD	1.3173	0.0001
EUR/GBP	0.8411	0.0063

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.23%	4.44%
2 year swap	3.90%	3.72%
10 year Govt	4.37%	4.05%

## A big shout out to James this morning ... as it's slice or dice day!

James is due up at the hospital this morning for the million-dollar question ... do they operate this afternoon to put his ankle back together ... or do they wait a year and then 'shave' the bone? That's the thing about football ... you can play it until you're a hundred, and I actually used to have a weekly kick-around with a Scotsman who was in his 80's, but when you get kicked ... the injuries hurt just as much and the impacts remain the same! Good luck James Skippy ... don't fall over those crutches!

## Talking about a carve-up ...

... the NZD/USD carved its way through resistance levels yesterday arvo to reach

its highest level since 4th January after business confidence surged from 27.1 to 50.6, its highest level in over 10-years, while the own activity index jumped from 16.3 to 37.1, its highest level in 7-years! I suspect the momentum and desire from traders was there given the move was derived by sentiment rather than fundamentals, but it is what it is and importers should have jumped on the bandwagon. By the way, behind the headlines, firms planning price hikes over the next 3 months increased by 3 points to 41.0% and planned price increases rose from 1.4% to 1.6%, although inflation expectations fell from 3.2% to 2.9%, the first sub-3.0% reading since July 2021.

With the NZD rallying, the AUD also had a good session, although the USD also continued its recovery by firming against the EUR and JPY. The US yield curve maintained its slope with the 2 and 10-years both firming 3bps to 3.91% and 3.87%, respectively, which will likely see local swap prices higher. Commodity markets were higher as well, with oil jumping 2.0% and gold and silver firming 0.6%, although copper fell -2.0%. Equities, yet again, were higher.

Goldman Sachs published a paper highlighting the dramatic shift to USD-shorts as positioning adjusts ahead of the Fed rate cuts, although structural factors and the US election could temper the extent of the USD's decline.

Looking at the data, US Q2 GDP was revised higher to 3.0% from the flash estimate of 2.8%, while the US trade deficit widened to a 2-year high at USD102.7bn. Q2 corporate profits rebounded to 1.7% from Q1's -2.7%, and initial claims fell by -2k to 231k with continuing claims firming by 13k to 1.868m. Germany inflation fell to 1.9%, which was below forecasts at 2.1% and the lowest level since March 2021, while Australian Q2 capex expenditures fell to -2.2% from Q1's 1.0% gain.

There were also a few central bankers hitting the newswires with Robert Holzmann from the ECB warning, "If we see 2.0% inflation slipping out to Q1 26, or in Q2, then it would be a very strong indication that we're not there in terms of price stability." Colleague Joachim Nagel added, "While our 2.0% target is in sight, we've not reached it yet. We need to be careful, we must not lower rates too quickly," while ECB Chief Economist Philip Lane stated, "Wage growth is set to ease significantly next year." Atlanta Fed President Raphael Bostick announced, "There is still distance to go on inflation. Inflation has come down faster than expected, and unemployment has risen further than initially thought which means we should pull forward the first rate cut to Q3 (although) we should wait for more data before cutting rates further." Fed colleague Tom Barkin chimed in with, "Inflation is down, and we're making progress, but we're not there yet."



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# Daily Rates

Friday 30 August 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.20					CAD	0.8437	0.9164
NZD/USD	0.6262	0.0000	0.0001	0.0000	-0.0008	CHF	0.5298	0.5756
NZD/AUD	0.9209	-0.0006	-0.0015	-0.0020	-0.0020	CNY	4.4421	4.8253
NZD/JPY	90.695	-0.39	-1.14	-2.17	-3.86	DKK	4.2138	4.5773
NZD/EUR	0.5651	-0.0007	-0.0022	-0.0044	-0.0086	FJD	1.3576	1.4747
NZD/GBP	0.4754	-0.0001	-0.0002	-0.0001	0.0003	HKD	4.8805	5.3015
						KRW	834.85	906.87
AU TWI	62.60					MYR	2.6968	2.9294
AUD/USD	0.6800	0.0005	0.0012	0.0014	0.0008	NOK	6.5704	7.1372
AUD/NZD	1.0858	0.0007	0.0016	0.0020	0.0016	SEK	6.4008	6.9529
AUD/JPY	98.48	-0.36	-1.09	-2.13	-3.97	SGD	0.8155	0.8858
AUD/EUR	0.6137	-0.0004	-0.0014	-0.0034	-0.0081	TWD	19.95	21.68
AUD/GBP	0.5162	0.0002	0.0006	0.0010	0.0015	ZAR	11.12	12.08
USD Index	101.35					<b>EQUITIES</b>		
EUR/USD	1.1080	0.0015	0.0045	0.0085	0.0159		<b>Index</b>	
USD/JPY	144.83	-0.63	-1.84	-3.46	-6.03	NZX50	12,354	
GBP/USD	1.3173	0.0004	0.0007	0.0001	-0.0026	ASX200	8,045	
EUR/GBP	0.8411	0.0009	0.0029	0.0063	0.0135	Dow Jones	41,396	
						S&P 500	5,593	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,380	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,913	
30 day bank bills			5.36%		4.35%	Nikkei	38,363	
90 day bank bills			5.23%		4.44%	<b>COMMODITIES</b>		
1 year swap			4.47%		4.06%		<b>USD</b>	
2 year swap			3.94%		3.74%	Brent Crude	79.95	
3 year swap			3.75%		3.61%	Gold	2,522.64	
5 year swap			3.74%		3.80%	Silver	29.40	
10 year swap			4.01%		4.10%	Iron Ore	98.51	
3 year Govt bond			3.90%		3.57%	CRB Index	331.33	
5 year Govt bond			3.95%		3.66%		<b>NZD</b>	
10 year Govt bond			4.37%		4.04%	NZ Carbon	61.60	

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