

Market Alert

Wednesday 07 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5955	-0.0001
NZD/AUD	0.9127	-0.0026
NZD/JPY	86.255	-2.21
NZD/EUR	0.5450	-0.0045
NZD/GBP	0.4692	-0.0004
NZD/CNH	4.2650	-0.0744
AUD/USD	0.6523	0.0016
AUD/EUR	0.5970	-0.0033
EUR/USD	1.0927	0.0085
USD/CNH	7.1611	-0.1232
GBP/USD	1.2691	0.0005
EUR/GBP	0.8610	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.32%	4.40%
2 year swap	3.97%	3.80%
10 year Govt	4.30%	4.11%

Strewh I was only gone a couple of days ...

... and it looks like nothing's happened ... but wait a minute ... equity markets have been in a melt-down, the UK has literally been on fire, the Protestants and Catholics marched together in Northern Ireland, the GDT auction printed positive, and USD/JPY dipped below 142.00 ... maybe I should go on vacation more often!

Simply put ...

... the overnight data was largely irrelevant, but here goes anyway! From the US, the economic optimism index rose to a 7-month high to reach 44.5 in August, although it missed forecasts at 45.0, the trade deficit narrowed to USD73.1bn from May's 20-month revised high of USD75.0bn, while there

was further positive news after the logistics manager's index expanded to a 4-month high at 56.5, marking 8-consecutive months of expansion for the logistics sector.

San Fran Fed President, Mary Daly, confirmed, *"Policy adjustments will be necessary in the coming quarter. How much that needs to be done and when it needs to take place, is going to depend a lot on the incoming information. But from my mind, we've now confirmed that the labour market is slowing and it's extremely important that we not let it slow so much that it turns itself into a downturn."*

Looking at the other headlines, Eurozone retail sales fell -0.3% in June, German factory orders rose for the first time this year jumping 3.9% in June, Canada unexpectedly recorded a CAD638m tradesurplus, and finally, UK construction output grew at the fastest pace in more than 2-years, although that number will invariably accelerate next month when the post-August rioting rebuilding work starts!

The RBA unsurprisingly left their cash rate unchanged at 4.35%, although the statement carried a hawkish note, reiterating the need to remain vigilant to the inflationary risks given that inflation remains above their 2.0-3.0% target range. Simultaneously, the board also warned against an uncertain economic outlook, evidenced by slow GDP growth, rising jobless rates, and intense pressure on many businesses. Ultimately, financial markets were more concerned about the possibility of a further rate hike to control inflation, which saw the AUD

10-year bond yield jump back above the 4.00% level to close at 4.02%.

Finally, the GDT auction saw a modest 0.5% recovery to the overall index, with the 2.4% gain in WMP offset by the -2.7% fall in SMP. Butter was the other decliner, falling -2.4%, while the balance of products all recorded solid gains with lactose rallying 16.1%! Volumes were up substantially on the recent auctions, although the full quota of volume wasn't sold.

Summing it all up!

As is usually the case in an equity meltdown, the investment banks become the go-to-guys for a quote, and it was no different this time! Goldman recommends buying the S&P 500 after a -5.0% decline has typically been a profitable trade, CitiBank recommends waiting before buying the dip, while JPMorgan implied the unwinding in carry trades is still only half done! Confused? You should be!

Commodity markets resumed their weakening trend with most products posting -1.0 to -2.0% falls while, looking at the currencies, the great JPY unwind appears to have reached its natural equilibrium, while the USD-index failed on its 103.20 re-test, which implies there may be a bit more USD weakness to go, although the NZD and AUD are currently failing at the 0.5985 and 0.6550 levels. Bond yields also recovered amid steeper curves with the USD 2 and 10-years firming 5bps and 10bps to yield 3.99% and 3.90% respectively.



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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	69.60					CAD	0.8198	0.8984
NZD/USD	0.5955	0.0000	0.0000	-0.0001	-0.0005	CHF	0.5074	0.5563
NZD/AUD	0.9127	-0.0007	-0.0018	-0.0026	-0.0026	CNY	4.2560	4.6613
NZD/JPY	86.255	-0.41	-1.15	-2.21	-3.81	DKK	4.0650	4.4549
NZD/EUR	0.5450	-0.0008	-0.0023	-0.0045	-0.0085	FJD	1.3208	1.4473
NZD/GBP	0.4692	-0.0001	-0.0003	-0.0004	-0.0001	HKD	4.6400	5.0843
						KRW	818.39	896.89
AU TWI	60.80					MYR	2.6610	2.9158
AUD/USD	0.6523	0.0006	0.0012	0.0016	0.0008	NOK	6.4896	7.1121
AUD/NZD	1.0955	0.0008	0.0018	0.0027	0.0020	SEK	6.2693	6.8707
AUD/JPY	94.49	-0.38	-1.08	-2.17	-3.95	SGD	0.7888	0.8644
AUD/EUR	0.5970	-0.0004	-0.0013	-0.0033	-0.0079	TWD	19.50	21.37
AUD/GBP	0.5140	0.0002	0.0006	0.0010	0.0013	ZAR	11.01	12.06
USD Index	102.96					EQUITIES		
EUR/USD	1.0927	0.0016	0.0045	0.0085	0.0154		Index	
USD/JPY	144.84	-0.70	-1.93	-3.68	-6.29	NZX50	12,246	
GBP/USD	1.2691	0.0005	0.0008	0.0005	-0.0018	ASX200	7,681	
EUR/GBP	0.8610	0.0009	0.0029	0.0063	0.0133	Dow Jones	39,125	
						S&P 500	5,282	
INTEREST RATES			New Zealand		Australia	FTSE100	8,027	
			Mid		Mid	DAX 30	17,354	
30 day bank bills			5.43%		4.35%	Nikkei	34,675	
90 day bank bills			5.32%		4.40%	COMMODITIES		
1 year swap			4.58%		4.09%		USD	
2 year swap			4.01%		3.81%	Brent Crude	76.48	
3 year swap			3.80%		3.72%	Gold	2,387.83	
5 year swap			3.77%		3.91%	Silver	27.02	
10 year swap			3.97%		4.15%	Iron Ore	104.18	
3 year Govt bond			3.94%		3.57%	CRB Index	318.78	
5 year Govt bond			3.95%		3.65%		NZD	
10 year Govt bond			4.30%		4.05%	NZ Carbon	54.00	

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