

# Market Alert

Monday 02 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6248	0.0000
NZD/AUD	0.9218	-0.0020
NZD/JPY	91.335	-2.18
NZD/EUR	0.5656	-0.0044
NZD/GBP	0.4758	-0.0001
NZD/CNH	4.4326	-0.0701
AUD/USD	0.6770	0.0014
AUD/EUR	0.6129	-0.0036
EUR/USD	1.1044	0.0082
USD/CNH	7.0900	-0.1124
GBP/USD	1.3126	0.0001
EUR/GBP	0.8413	0.0059

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.23%	4.44%
2 year swap	3.92%	3.72%
10 year Govt	4.36%	4.06%

## At last ... spring has arrived ... and it was a glorious day!

But .... according to reports, at least 6 traders at hedge funds Millennium, Balyasny and BlueCrest had their positions liquidated, or teams shutdown, amid the heightened volatility in August. Now, I don't know what their positions were, but if they were short the NZD, it would explain why, given that the NZD rallied 4.8% against the USD in the month. In August, the NZD was the strongest performing currency, climbing against all of its G10 peers ... it just goes to show you what a rate cut can do! Local interest rates also retreated to 2-year lows before they bounced back strongly, rallying 15bps-20bps.

In saying all of that, Friday's price action saw the USD-index confirm its recovery

after the positive PCE release, while Treasury yields also recovered with the 2-years up 2bps to 3.92% while the 10-years settled 4bps higher at 3.91%. US equity markets posted their 4th consecutive month of gains, pulling up the European exchanges with them, although commodity prices were mixed with oil prices losing -2.5% to -3.0%.

The PCE index saw both headline and core inflation rise 0.2% on the month, with the headline at 2.7% on the year, while the core was at 2.6%, which was basically in line with expectations. The other releases saw the University of Michigan inflation survey, forecast inflation will be at 2.8% in a year and at 3.0% in 5-years, while personal spending increased 0.5% in July, which was in line with expectations.

Eurozone inflation plummeted to its lowest level since mid-2021, rising just 2.2% from a year ago, which was significantly lower than July's 2.6%, while core inflation also eased from 2.9% to 2.8% to reinforce the case for another ECB rate cut.

Word on the street is the Chinese authorities may allow homeowners to refinance as much as USD5.4trn of mortgage debt at lower interest rates in an attempt to boost consumption. Meanwhile, Chinese PMIs saw the manufacturing index fall from 49.4 to 49.1 while the non-manufacturing, or services index ticked up to 50.3 from July's 8-month low at 50.2.

The Canadian economy grew 0.5% in Q2, following on from Q1's 0.4% gain.

Unfortunately, growth was primarily driven by a 1.5% rise in government spending, and we all know how that usually ends!

Friday saw a few Japanese releases with Tokyo inflation jumping from 2.2% to 2.6%, with the core firming from 1.1% to 1.6%. The unemployment rate jumped from 2.5% to 2.7%, industrial production surged from -4.2% to 2.8%, against a forecast 3.3% gain, while retail sales fell from 3.8% to 2.6%.

In our part of the world, Friday's releases saw Australian retail sales fall from 0.5% in June to be flat in July, against estimates at 0.3%, while New Zealand building consents for July surged 26.2% against last months revised -17.0%.

## This month ...

... will be busy with the Fed likely to cut, but ahead of that, this week we have the all-important non-farm payrolls data along with unemployment and average hourly earnings. We also have, from the US, the Fed's Beige book, job openings, factory orders, and initial and continuing claims. Today is a US holiday, but later in the week we also have the BoC rate decision, where they'll likely cut, Eurozone retail sales and Q2 GDP, Chinese Caixin PMIs, and Japanese household spending. There is a whole host of data from Australia with inventory, dwelling approvals, job ads, inflation forecasts, trade numbers, Q2 GDP and a speech by RBA Governor Bullock, while, from NZ, we have Q2 trade, the house price index, and the GDT auction.



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# Daily Rates

Monday 02 September 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.90					CAD	0.8425	0.9127
NZD/USD	0.6248	0.0000	0.0001	0.0000	-0.0006	CHF	0.5309	0.5745
NZD/AUD	0.9218	-0.0006	-0.0015	-0.0020	-0.0023	CNY	4.4241	4.7941
NZD/JPY	91.335	-0.39	-1.13	-2.18	-3.84	DKK	4.2169	4.5700
NZD/EUR	0.5656	-0.0007	-0.0022	-0.0044	-0.0086	FJD	1.3580	1.4717
NZD/GBP	0.4758	-0.0001	-0.0002	-0.0001	0.0003	HKD	4.8707	5.2784
						KRW	834.95	904.85
AU TWI	62.60					MYR	2.6975	2.9233
AUD/USD	0.6770	0.0005	0.0012	0.0014	0.0009	NOK	6.5988	7.1512
AUD/NZD	1.0822	0.0007	0.0016	0.0020	0.0011	SEK	6.4124	6.9493
AUD/JPY	98.82	-0.36	-1.07	-2.16	-3.96	SGD	0.8158	0.8841
AUD/EUR	0.6129	-0.0004	-0.0015	-0.0036	-0.0080	TWD	19.99	21.67
AUD/GBP	0.5155	0.0002	0.0006	0.0009	0.0014	ZAR	11.13	12.07
USD Index	101.73					<b>EQUITIES</b>		
EUR/USD	1.1044	0.0015	0.0045	0.0082	0.0156		<b>Index</b>	
USD/JPY	146.19	-0.64	-1.84	-3.47	-6.08	NZX50	12,448	
GBP/USD	1.3126	0.0004	0.0006	0.0001	-0.0026	ASX200	8,092	
EUR/GBP	0.8413	0.0009	0.0029	0.0059	0.0130	Dow Jones	41,563	
						S&P 500	5,648	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,377	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,907	
30 day bank bills			5.36%		4.35%	Nikkei	38,648	
90 day bank bills			5.23%		4.44%	<b>COMMODITIES</b>		
1 year swap			4.48%		4.06%		<b>USD</b>	
2 year swap			3.94%		3.73%	Brent Crude	76.93	
3 year swap			3.77%		3.63%	Gold	2,503.03	
5 year swap			3.75%		3.83%	Silver	28.84	
10 year swap			4.01%		4.12%	Iron Ore	100.55	
3 year Govt bond			3.91%		3.59%	CRB Index	328.00	
5 year Govt bond			3.96%		3.68%		<b>NZD</b>	
10 year Govt bond			4.36%		4.07%	NZ Carbon	62.50	

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