

Market Alert

Wednesday 04 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6186	0.0001
NZD/AUD	0.9218	-0.0019
NZD/JPY	90.115	-2.14
NZD/EUR	0.5604	-0.0041
NZD/GBP	0.4722	0.0000
NZD/CNH	4.4055	-0.0719
AUD/USD	0.6709	0.0014
AUD/EUR	0.6077	-0.0033
EUR/USD	1.1039	0.0082
USD/CNH	7.1210	-0.1168
GBP/USD	1.3098	0.0001
EUR/GBP	0.8424	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.20%	4.45%
2 year swap	3.86%	3.70%
10 year Govt	4.39%	4.10%

What do you mean I'm like an old man?

Well... you do when you walk! Admittedly, I do have a calf strain, but according to some in my household, the slight limp makes me walk, and look, like an old man! I've seen old men walk ... and I look nothing like that ... although I'm probably going at the same pace! Still, the positive was that I am (still) good looking ... I guess I'm a good looking old man!

There were a few questions about yesterday's NZD weakness ...

... but simply, the NZD was the strongest performer in August, and it was time for a re-alignment. Yes, there were a few comments out of Japan, and the Australian data wasn't flash, which saw the AUD come under pressure, and the

NZD follow. The USD-index also finished its consolidation above the 101.50 level, which opens it up for a potential extension to 102.15, while the VIX surged 32% to 20.6.

The poor US data saw yields give up some of the recent gains, with 2 and 10-years falling -4bps and -7bps to 3.89% and 3.85%, while equity markets were a sea of red amid the broader risk-off environment/dump everything environment. The US indices fell -1.8% to -3.0%, while the European exchanges were -1.5% lower. The Nikkei was the worst performer in Asia falling -2.8%. Interestingly, commodity prices were also weak, mainly due to oil prices which plummeted -5.0%, while Goldmans slashed its 2025 copper forecast by almost USD5k to USD10k a ton!

US manufacturing PMIs remained in contractionary territory for a 5th straight month at 47.2. While the print was below expectations at 47.5, it was an improvement on July's 46.8. It was a similar story with the US optimism index which has now remained in negative territory for 37 consecutive months at 46.1, although it showed a 1.6 pip increase on the July print, which saw the index reach its highest level since April 2023.

Breaking the Japanese news down, a BoJ paper by Governor Kazuo Ueda, suggested the central bank will continue to raise interest rates should the economy and prices perform as expected. Pimco Japan expects the BoJ will raise rates again as early as January, with the

fund preparing to invest in long-term JGBs, while Arif Husain, who forecasted the JPY carry unwind in July, warned the shock may not be over, with the prior unwind merely "the first shift" given the mountain of Japanese money that could potentially flow back into Japan as their domestic rates rise. Finally, despite the BoJ attempts to stimulate inflation, the Government is planning to spend almost JPY1trn from their reserve funds to subsidise energy imports.

Ahead of today's GDP release, the Australian Q2 current account deficit plummeted to -AUD10.7bn, which was woeful compared to the forecast at -AUD5.0bn and Q1's -AUD4.9bn. Exports, as a net contribution added 0.2%, against expectations at 0.6%, which will likely weigh on today's GDP print. On a positive note, the weekly inflation survey saw expectations fall to their lowest level since late 2021 at 4.6%.

The UK Treasury saw GBP110bn of bids for their latest bond issue, the sale of some 2040's, which was a positive result as it was the first issue since the Labour party's election victory. British retail sales jumped 1.0% in August following July's 0.5% gain.

Finally, in New Zealand the GDT auction saw the overall index fall -0.4% as WMP prices came under pressure, falling -2.5%, although SMP outperformed, rallying 4.5%, while our Q2 terms of trade gained at 2.1% as exports surged 5.2%, while imports grew 3.1%.



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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	71.70					CAD	0.8381	0.9093
NZD/USD	0.6186	0.0000	0.0001	0.0001	-0.0007	CHF	0.5263	0.5709
NZD/AUD	0.9218	-0.0007	-0.0015	-0.0019	-0.0019	CNY	4.4047	4.7778
NZD/JPY	90.115	-0.41	-1.13	-2.14	-3.80	DKK	4.1785	4.5332
NZD/EUR	0.5604	-0.0008	-0.0021	-0.0041	-0.0082	FJD	1.3502	1.4648
NZD/GBP	0.4722	-0.0001	-0.0002	0.0000	0.0004	HKD	4.8228	5.2323
						KRW	828.74	899.10
AU TWI	62.30					MYR	2.6993	2.9285
AUD/USD	0.6709	0.0005	0.0011	0.0014	0.0007	NOK	6.6157	7.1774
AUD/NZD	1.0847	0.0008	0.0016	0.0019	0.0013	SEK	6.3770	6.9184
AUD/JPY	97.75	-0.39	-1.08	-2.14	-3.95	SGD	0.8093	0.8777
AUD/EUR	0.6077	-0.0005	-0.0014	-0.0033	-0.0078	TWD	19.84	21.53
AUD/GBP	0.5119	0.0003	0.0006	0.0009	0.0014	ZAR	11.11	12.06
USD Index	101.79					EQUITIES		
EUR/USD	1.1039	0.0016	0.0044	0.0082	0.0151		Index	
USD/JPY	145.67	-0.67	-1.85	-3.44	-6.01	NZX50	12,535	
GBP/USD	1.3098	0.0003	0.0006	0.0001	-0.0025	ASX200	8,103	
EUR/GBP	0.8424	0.0010	0.0029	0.0061	0.0131	Dow Jones	40,904	
						S&P 500	12,535	
INTEREST RATES			New Zealand		Australia	FTSE100	8,298	
			Mid		Mid	DAX 30	18,747	
30 day bank bills			5.36%		4.35%	Nikkei	38,686	
90 day bank bills			5.20%		4.45%	COMMODITIES		
1 year swap			4.47%		4.05%		USD	
2 year swap			3.90%		3.72%	Brent Crude	73.72	
3 year swap			3.73%		3.61%	Gold	2,491.75	
5 year swap			3.72%		3.81%	Silver	28.03	
10 year swap			3.99%		4.08%	Iron Ore	100.55	
3 year Govt bond			3.93%		3.64%	CRB Index	323.18	
5 year Govt bond			3.98%		3.72%		NZD	
10 year Govt bond			4.39%		4.11%	NZ Carbon	61.95	

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