

Market Alert

Thursday 05 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6198	-0.0002
NZD/AUD	0.9221	-0.0019
NZD/JPY	89.195	-2.12
NZD/EUR	0.5593	-0.0042
NZD/GBP	0.4714	-0.0001
NZD/CNH	4.4088	-0.0731
AUD/USD	0.6719	0.0011
AUD/EUR	0.6063	-0.0033
EUR/USD	1.1081	0.0079
USD/CNH	7.1144	-0.1161
GBP/USD	1.3144	-0.0004
EUR/GBP	0.8426	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.19%	4.46%
2 year swap	3.83%	3.67%
10 year Govt	4.30%	4.05%

The 'amid' market alert!

As was widely expected, the BoC cut the overnight rate for a 3rd consecutive meeting, this time to 4.25%. Amid a background of moderating inflation, currently at 2.5%, and rising unemployment, which has rallied from 4.8% in July 2022 and is expected to reach 6.5% later in the week, the central bank has signalled it anticipates further rate cuts after Governor, and man with the coolest name ever, Tiff Macklem, suggested, "If inflation continues to ease broadly in line with our July forecast, it is reasonable to expect further cuts in our policy rate."

US bonds rallied amid signs of a slowing US jobs market after the number of job openings fell by 237k to 7.673m, their lowest since January 2021. Market forecasts were at 8.1m while the June

print was also revised lower to 7.91m. In other news, the US trade deficit widened to its largest level since June 2022 at USD78.8bn, the Fed's Beige Book showed stagnant and declining activity, and factory orders rose 5.0% in July.

Fed member Raphael Bostic said the Fed's dual mandates of stable prices and full employment are in balance but he's "not quite prepared" to claim victory on inflation.

Potential Euro-zone inflation gain could be harder to achieve after producer prices rose 0.8% in July, which was their largest gain since December 2022 following on from June's upwardly revised 0.6% and forecasts at 0.3%.

Amid further signs of stagnant economy, Chinese Caixin services PMIs declined to 51.6 from July's 52.1, which was below forecasts at 52.2. As mentioned earlier in the week, regulators in China are proposing to cut mortgage interest rates on as much as USD5.3trn of home loans by up to 80bps in 2 steps to lower borrowing costs. BoAM has cut its Chinese 2025 GDP projection to 4.5% but held its 2026 forecast at 4.5%.

Japanese services PMIs were unchanged at 53.7, although the survey "signalled a strong increase in average cost burdens facing service sector firms." Chief Cabinet Secretary Hayashi advised the government was, "Closely watching domestic and overseas market moves with a sense of urgency. We will conduct fiscal and economic policy management while working closely with the BoJ." Finally, Japan's USD1.75trn state pension fund

confirmed it, "may step up purchases of domestic stocks and scale back on foreign bonds in a reallocation of assets." This would have a tsunami impact on financial markets.

Australian Q2 GDP firmed 0.2% on the quarter amid expectations at 0.3%, while the annual print was at 1.5%. The weaker than expected report was mainly due to weak household consumption and weaker trade. On a positive note, August non-manufacturing (services) PMIs firmed from 50.4 to 52.5 in August.

In New Zealand, S&P have been doing a roadshow with the current account deficit generating the latest headlines with the comment, "If it doesn't narrow could trigger for rating downgrade" while it was also noted the economic outlook was particularly weak. On a positive note, the ratings agency is "broadly comfortable" with the sovereign rating outlook. Finally, the commodity price index firmed in August, from -1.7% to 2.1%.

The important part ... summing it all up!

The biggest impact overnight was the weak job openings report from the US, which saw the US 10-year yield fall to a 4-month low below the 3.80% level to 3.77%, a -7bps drop on the day, while the 2-year dropped -10bps the same level, 3.77%, for a flat curve. The USD-index gave up some of its prior gains, although the NZD and AUD gains were modest amid a spike into the US close. Equity and commodity markets were a sea of red.



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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	71.20					CAD	0.8373	0.9081
NZD/USD	0.6198	0.0000	0.0001	-0.0002	-0.0012	CHF	0.5247	0.5693
NZD/AUD	0.9221	-0.0007	-0.0013	-0.0019	-0.0022	CNY	4.4066	4.7786
NZD/JPY	89.195	-0.40	-1.11	-2.12	-3.78	DKK	4.1710	4.5231
NZD/EUR	0.5593	-0.0008	-0.0021	-0.0042	-0.0084	FJD	1.3508	1.4648
NZD/GBP	0.4714	-0.0001	-0.0001	-0.0001	0.0003	HKD	4.8308	5.2385
						KRW	826.90	896.70
AU TWI	61.90					MYR	2.6953	2.9228
AUD/USD	0.6719	0.0005	0.0010	0.0011	0.0001	NOK	6.5902	7.1465
AUD/NZD	1.0842	0.0007	0.0014	0.0019	0.0013	SEK	6.3647	6.9020
AUD/JPY	96.68	-0.38	-1.07	-2.11	-3.93	SGD	0.8076	0.8758
AUD/EUR	0.6063	-0.0005	-0.0014	-0.0033	-0.0081	TWD	19.90	21.58
AUD/GBP	0.5109	0.0002	0.0006	0.0009	0.0012	ZAR	11.07	12.00
USD Index	101.33					EQUITIES		
EUR/USD	1.1081	0.0015	0.0043	0.0079	0.0145		Index	
USD/JPY	143.92	-0.65	-1.82	-3.38	-5.80	NZX50	12,553	
GBP/USD	1.3144	0.0003	0.0005	-0.0004	-0.0036	ASX200	7,951	
EUR/GBP	0.8426	0.0010	0.0029	0.0061	0.0131	Dow Jones	40,928	
						S&P 500	5,504	
INTEREST RATES			New Zealand		Australia	FTSE100	8,270	
			Mid		Mid	DAX 30	18,592	
30 day bank bills			5.36%		4.35%	Nikkei	37,048	
90 day bank bills			5.19%		4.46%	COMMODITIES		
1 year swap			4.43%		4.01%		USD	
2 year swap			3.85%		3.68%	Brent Crude	72.52	
3 year swap			3.68%		3.56%	Gold	2,493.61	
5 year swap			3.68%		3.75%	Silver	28.14	
10 year swap			3.93%		4.03%	Iron Ore	100.55	
3 year Govt bond			3.85%		3.58%	CRB Index	320.20	
5 year Govt bond			3.90%		3.65%		NZD	
10 year Govt bond			4.30%		4.03%	NZ Carbon	62.25	

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