

Market Alert

Tuesday 10 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6142	-0.0001
NZD/AUD	0.9224	-0.0016
NZD/JPY	87.765	-2.05
NZD/EUR	0.5564	-0.0041
NZD/GBP	0.4697	-0.0001
NZD/CNH	4.3727	-0.0718
AUD/USD	0.6658	0.0010
AUD/EUR	0.6031	-0.0034
EUR/USD	1.1039	0.0080
USD/CNH	7.1199	-0.1158
GBP/USD	1.3074	-0.0002
EUR/GBP	0.8441	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.12%	4.46%
2 year swap	3.76%	3.64%
10 year Govt	4.33%	4.05%

We're no different from anyone else!

We've even got monkey-pox! Yes, New Zealand has got its first case and, as usual, it was imported from Australia. Normally this wouldn't be a particular issue, but one of the kids was down in Queenstown, the epicentre for the outbreak, and now has a funny 'rash'! Should I be concerned?

The re-positioning session.

With the overnight data releases being 2nd tier, last night was about re-positioning following last week's selloffs. Equity markets rebounded 1.0%, US interest rates firmed in the shorter end of the curve with the 2-years gaining 2bps to reach 3.67%, although the long-end eased a touch with the 10-years dropping -1bps to 3.70%. The USD-index rallied,

gaining 0.4% to continue gyrating around the 101.4 level, which saw the NZD and AUD ease back. Interestingly, following the NZD's out performance in August, it was the worst performer overnight, as it tests support at the bottom of the 0.6145-0.6165 range, but in September it's been all about the JPY with it gaining 2.80% against the USD, and over 4.0% against the NZD and AUD! Looking at commodity prices, oil firmed 1.0% in a likely technical rebound after last week's -8.0% loss, while gold prices steadied at the USD2,500 level.

The 1-year New York Fed inflation expectation ticked up ever so slightly, from 2.97% to 3.00%, although the 3-year expectation was a lot more significant, firming from 2.30% to 2.50%. The 5-year projection was unchanged at 2.8%. Well, this won't help ... Boeing has offered workers a 25.0% wage increase over the next 4-years to avert a strike, and in a concerning headline, US consumer credit reached USD25.5bn, against a forecast at USD10.4bn. That's a mammoth increase, but there was a small positive after the June number was revised lower, from USD8.9bn to USD5.2bn.

Chinese CPI rose for a 7th consecutive month in August to reach 0.6% on the year, although it was below expectations at 0.7%, while the core number printed at 0.3%, for a second consecutive month of slower rises. The August numbers were impacted by supply constraints caused by abnormal weather, but concerns persist over limp demand. Apart from food costs, consumer price growth barely registered

in large swathes of the economy at a time when incomes are sagging, which has once again raised the spectre of a deflationary bubble. PPI inflation also remained in contractionary territory for the 23rd consecutive month, at -1.8% on the year, which was significantly lower than July's -0.8%.

Japanese Chief Cabinet Secretary, Yoshimasa Hayashi, echoed BoJ Governor Ueda's comments on interest rate hikes, stating, "With some conditions, the BoJ is ready to go in that direction. Monetary policy should be considered and judged by the BoJ. If the economic situation requires stimulus, I would prefer increasing expenditure, payouts rather than tax reduction." Japanese preliminary Q2 GDP print was revised lower to 0.7% from 0.8%.

After last week's NFP ...

... everyone has been updating their interest rate calls! Goldman stated that while "there is a rationale" for a 50bp Fed rate cut, it is forecasting 25bp cuts at the remaining 3 meetings in 2024. JP Morgan believes a 50bp FOMC rate cut is "the right thing to do," BoAM is expecting 25bp cuts at each of the next 5-meetings, while BlackRock has warned that a 50bp FOMC cut might signal worries, not confidence! On a slightly different keel, RBC has brought forward its first RBA rate cut projection, from May 2025 to February 2025.

Let's put this politely ... opinions are like noses, everyone's got one!



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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	0.8324	0.9046
NZD/USD	0.6142	0.0000	0.0001	-0.0001	-0.0010	CHF	0.5211	0.5651
NZD/AUD	0.9224	-0.0006	-0.0013	-0.0016	-0.0011	CNY	4.3676	4.7353
NZD/JPY	87.765	-0.38	-1.08	-2.05	-3.59	DKK	4.1498	4.4999
NZD/EUR	0.5564	-0.0007	-0.0021	-0.0041	-0.0084	FJD	1.3447	1.4582
NZD/GBP	0.4697	-0.0001	-0.0001	-0.0001	0.0002	HKD	4.7876	5.1915
						KRW	823.14	892.58
AU TWI	61.30					MYR	2.6820	2.9082
AUD/USD	0.6658	0.0005	0.0011	0.0010	-0.0003	NOK	6.6525	7.2137
AUD/NZD	1.0838	0.0007	0.0014	0.0017	0.0007	SEK	6.3655	6.9025
AUD/JPY	95.35	-0.35	-1.04	-2.06	-3.77	SGD	0.8016	0.8693
AUD/EUR	0.6031	-0.0004	-0.0015	-0.0034	-0.0083	TWD	19.70	21.36
AUD/GBP	0.5090	0.0002	0.0006	0.0008	0.0009	ZAR	10.96	11.89
USD Index	101.58					EQUITIES		
EUR/USD	1.1039	0.0015	0.0043	0.0080	0.0145		Index	
USD/JPY	142.90	-0.62	-1.79	-3.31	-5.64	NZX50	12,622	
GBP/USD	1.3074	0.0003	0.0005	-0.0002	-0.0031	ASX200	7,988	
EUR/GBP	0.8441	0.0010	0.0029	0.0061	0.0129	Dow Jones	40,838	
						S&P 500	5,454	
INTEREST RATES			New Zealand		Australia	FTSE100	8,271	
			Mid		Mid	DAX 30	18,444	
30 day bank bills			5.36%		4.34%	Nikkei	36,216	
90 day bank bills			5.12%		4.46%	COMMODITIES		
1 year swap			4.35%		4.01%		USD	
2 year swap			3.78%		3.66%	Brent Crude	71.79	
3 year swap			3.62%		3.55%	Gold	2,503.44	
5 year swap			3.63%		3.74%	Silver	28.31	
10 year swap			3.91%		4.02%	Iron Ore	91.61	
3 year Govt bond			3.82%		3.56%	CRB Index	319.65	
5 year Govt bond			3.90%		3.63%		NZD	
10 year Govt bond			4.33%		4.01%	NZ Carbon	61.75	

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