

Market Alert

Wednesday 11 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6156	-0.0002
NZD/AUD	0.9244	-0.0016
NZD/JPY	87.620	-2.04
NZD/EUR	0.5583	-0.0041
NZD/GBP	0.4705	0.0000
NZD/CNH	4.3858	-0.0733
AUD/USD	0.6658	0.0009
AUD/EUR	0.6038	-0.0034
EUR/USD	1.1026	0.0077
USD/CNH	7.1345	-0.1170
GBP/USD	1.3083	-0.0005
EUR/GBP	0.8427	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.11%	4.47%
2 year swap	3.75%	3.60%
10 year Govt	4.31%	4.00%

The good oil!

Last night was all about oil prices ... following on from last week's -8.0 % collapse, and Monday's mild recovery, last night oil prices collapsed a further -4.0% after OPEC cut its demand forecasts for the 2nd time in 2 months. OPEC now expects global oil demand to grow by just 2 million barrels per day (bpd) in 2024, which is 80,000 bpd lower than its prior forecast. These cuts have been driven by weaker Chinese consumption although to some extent the losses were capped over concerns of the latest tropical storm which could potentially limit production and refinery operations in the Gulf of Mexico. With oil prices now retreating to their lowest levels since 2021, with crude at USD66.00pb, and Brent at USD69.45pb, there is the added bonus via the oil-NZ farmgate correlation,

which suggests we should see a higher farmgate futures price.

Apart from the oil moves, most other commodity prices were flat while equity markets also struggled for direction. US treasury yields continued to trend lower with the 2 and 10-years both falling -6bps to yield 3.62% and 3.65% respectively, but it will be interesting to see the degree of weakness on the NZ interest rate swap open this morning considering local rates have been relatively flat recently. Currency markets were quiet with the JPY continuing its recovery, rallying a further 0.5%.

Simply put, it's not usual to have plummeting oil prices, falling yields, a strengthening JPY, and stagnating equity markets ... whichever way you read the tea leaves, there are growing concerns surrounding the global outlook.

To some extent, last night's lack of direction was a due to a lack of any meaningful releases overnight. In the US, NFIB small business optimism fell from 93.7 in July to 91.2 in August, its lowest level in 3-months while UK wages increased 5.1% year-on-year.

China's exports exceeded market expectations in August after exports rose 8.7% from a year earlier while imports slowed sharply to 0.5%, down from July's 7.2%. This saw China's trade surplus widened to USD91.02bn in August from July's USD84.65bn surplus. Economists have forecast a USD80.0bn surplus.

Australian business confidence fell from 1.0% to -4.0% in August while consumer

confidence trended in the same direction, falling from 85.0 to 84.6 as, according to Head of Australian Macro-Forecasting at Westpac, Matthew Hassan, "The pessimism that has dominated for over two years now is still showing no real signs of lifting." Also, the independent review of the RBA that suggested the implementation of a separate governance board to complement the current monetary policy board has failed to pass.

NZ manufacturing sales rose in 0.6% in Q2 from Q1's -0.4% although the closure of two mills near Ohakune is a kick in the teeth. Our thoughts are with the workers.

BoC Governor Tiff Macklem implied 50bps cuts could be on their way stating, "Bigger cuts are possible if the economy and CPI is weaker. We have to balance the upside risks to inflation with the downside risks to economic growth."

Fitch Ratings' latest Global Economic Outlook report suggests the Fed's rate cutting cycle will be mild and slow compared to previous Fed rate-cutting episodes.

At last ... tech companies will have to pay their taxes!

Apple and Google have lost a landmark EU decision that will crackdown on tech companies tax liabilities. By all accounts, it means Apple should receive an invoice from the Irish tax department this morning for EUR10bn, while the Google EUR2.4bn bill should be in the post.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 11 September 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.80					CAD	0.8371	0.9058
NZD/USD	0.6156	0.0000	0.0001	-0.0002	-0.0013	CHF	0.5210	0.5637
NZD/AUD	0.9244	-0.0006	-0.0012	-0.0016	-0.0015	CNY	4.3809	4.7405
NZD/JPY	87.620	-0.41	-1.07	-2.04	-3.58	DKK	4.1646	4.5057
NZD/EUR	0.5583	-0.0008	-0.0021	-0.0041	-0.0083	FJD	1.3469	1.4572
NZD/GBP	0.4705	-0.0001	-0.0001	0.0000	0.0003	HKD	4.7984	5.1914
						KRW	826.69	894.39
AU TWI	61.40					MYR	2.6708	2.8896
AUD/USD	0.6658	0.0005	0.0010	0.0009	-0.0006	NOK	6.6654	7.2113
AUD/NZD	1.0816	0.0007	0.0013	0.0016	0.0004	SEK	6.3819	6.9046
AUD/JPY	94.78	-0.38	-1.04	-2.04	-3.78	SGD	0.8027	0.8684
AUD/EUR	0.6038	-0.0005	-0.0015	-0.0034	-0.0084	TWD	19.80	21.42
AUD/GBP	0.5089	0.0003	0.0006	0.0008	0.0008	ZAR	11.04	11.94
USD Index	101.62					EQUITIES		
EUR/USD	1.1026	0.0016	0.0043	0.0077	0.0139		Index	
USD/JPY	142.33	-0.68	-1.77	-3.27	-5.53	NZX50	12,633	
GBP/USD	1.3083	0.0003	0.0004	-0.0005	-0.0038	ASX200	8,012	
EUR/GBP	0.8427	0.0011	0.0030	0.0061	0.0130	Dow Jones	40,730	
						S&P 500	5,490	
INTEREST RATES			New Zealand		Australia	FTSE100	8,206	
			Mid		Mid	DAX 30	18,266	
30 day bank bills			5.36%		4.35%	Nikkei	36,159	
90 day bank bills			5.11%		4.47%	COMMODITIES		
1 year swap			4.32%		3.99%		USD	
2 year swap			3.76%		3.62%	Brent Crude	69.42	
3 year swap			3.61%		3.51%	Gold	2,515.38	
5 year swap			3.61%		3.71%	Silver	28.38	
10 year swap			3.89%		3.99%	Iron Ore	91.76	
3 year Govt bond			3.81%		3.56%	CRB Index	314.81	
5 year Govt bond			3.88%		3.62%		NZD	
10 year Govt bond			4.31%		4.01%	NZ Carbon	61.75	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED