

Market Alert

Thursday 12 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6135	0.0001
NZD/AUD	0.9193	-0.0014
NZD/JPY	87.365	-2.02
NZD/EUR	0.5569	-0.0041
NZD/GBP	0.4704	-0.0001
NZD/CNH	4.3738	-0.0701
AUD/USD	0.6673	0.0010
AUD/EUR	0.6057	-0.0035
EUR/USD	1.1016	0.0081
USD/CNH	7.1292	-0.1150
GBP/USD	1.3039	0.0001
EUR/GBP	0.8445	0.0060

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.11%	4.48%
2 year swap	3.69%	3.61%
10 year Govt	4.23%	3.94%

Last night I was outvoted ...

... which, to be fair, happens a lot in our household, but this time I was 'forced' to watch 'Four weddings and a funeral!' Unfortunately, it still has the worst ending line in the history of movie making with, "It's raining ... I hadn't noticed" as the poor girl looks like she's been underwater for 6-weeks but, to be fair, it has held up rather well ... although I suspect a couple, or 3, Negronis had something to do with it!

Last night was all about one thing ...

.. and I'm not talking about the debate!

Having improved from 3.0% 14-months ago, to 2.9% last month, the Fed received a timely boost after inflation fell to 2.5% in August. The headline number was

at its lowest level since early 2021 and below forecasts at 2.6%. On the month the inflation rate was at 0.2%, while core inflation printed at touch firmer at 0.3% on the month and 3.2% on the year. As someone said, inflation isn't overheating ... it's at room temperature!

This outcome, most likely, cements in a 25bps rate cut next week with the Fed likely to proceed on a 'slow and methodical' cutting cycle, which was reflected in the markets pricing with the 2-year treasury yield firming 5bps to 3.66%, while the 10-years firmed 1bps to be at 3.66% as well. The USD-index flatlined, although the NZD saw some weakness against the USD and on the crosses with the NZD/AUD dipping below the 0.9200 level. Equity markets liked the news with the US and European bourses posting gains in the 0.5%-1.0% range, as did most commodity prices, although there were a few outliers with the Nasdaq firming 1.8%, while oil prices rallied 2.0% after 39% of oil production shut down in the Gulf of Mexico due to Hurricane Francine.

Looking at the other headlines, apparently there was some political debate in the US with Karmala Harris the appointed winner, although I suspect no one learned anything new or different. UK growth stagnated in July to be at 0.5% on the quarter, while a Reuters poll saw 49 out of 65 economists forecast 1 further BoE rate cut this year, while 16 economists predict 2 cuts.

Ahead of tonight's ECB rate decision, a new 'ECB-speak Index,' based on a

natural language processing algorithm, suggests EU policymakers reached peak dovishness in the European summer, implying a rate cut tonight is practically a done deal.

The latest Japanese Tankan survey highlighted the fragile nature of its recovery after manufacturing sentiment fell to a 7-month low, while non-manufacturing sentiment fell for the 3rd consecutive month to reach its lowest level in a year. BoJ Board Member, Junko Nakagawa, was also on the newswires, announcing, "Real interest rates remain deeply negative, accommodative monetary conditions maintained. The BoJ will continue to raise interest rates if inflation moves in line with its forecast."

RBA Assistant Governor (Economic), Sarah Hunter, implied the RBA won't hike given, "Australia's economy is heading into turning point. Turning points are inherently challenging and difficult. Households are certainly being squeezed and our research shows a 'reasonable' amount of the government's stage 3 tax cuts are being saved, not spent."

Trade wars

India will impose tariffs of up to 30% on some steel imports from China and Vietnam over the next 5-years.

A Federal Reserve investigation into Atlanta President Raphael Bostic found that he violated Fed rules on trading, although it found no evidence Bostic made trades based on confidential information.



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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	70.80					CAD	0.8322	0.9054
NZD/USD	0.6135	0.0000	0.0002	0.0001	-0.0006	CHF	0.5228	0.5690
NZD/AUD	0.9193	-0.0006	-0.0012	-0.0014	-0.0008	CNY	4.3667	4.7497
NZD/JPY	87.365	-0.40	-1.09	-2.02	-3.55	DKK	4.1542	4.5202
NZD/EUR	0.5569	-0.0008	-0.0021	-0.0041	-0.0081	FJD	1.3426	1.4608
NZD/GBP	0.4704	-0.0001	-0.0001	-0.0001	0.0002	HKD	4.7831	5.2042
						KRW	821.05	893.33
AU TWI	61.20					MYR	2.6537	2.8874
AUD/USD	0.6673	0.0004	0.0010	0.0010	-0.0002	NOK	6.6567	7.2428
AUD/NZD	1.0876	0.0006	0.0012	0.0014	0.0000	SEK	6.3682	6.9289
AUD/JPY	95.00	-0.38	-1.07	-2.06	-3.80	SGD	0.7994	0.8698
AUD/EUR	0.6057	-0.0005	-0.0015	-0.0035	-0.0086	TWD	19.71	21.44
AUD/GBP	0.5115	0.0002	0.0005	0.0007	0.0007	ZAR	10.97	11.94
USD Index	101.72					EQUITIES		
EUR/USD	1.1016	0.0016	0.0044	0.0081	0.0150		Index	
USD/JPY	142.40	-0.66	-1.82	-3.31	-5.66	NZX50	12,632	
GBP/USD	1.3039	0.0003	0.0006	0.0001	-0.0024	ASX200	7,988	
EUR/GBP	0.8445	0.0011	0.0030	0.0060	0.0128	Dow Jones	40,862	
						S&P 500	5,536	
INTEREST RATES			New Zealand		Australia	FTSE100	8,194	
			Mid		Mid	DAX 30	18,330	
30 day bank bills			5.35%		4.35%	Nikkei	35,620	
90 day bank bills			5.11%		4.48%	COMMODITIES		
1 year swap			4.28%		3.99%		USD	
2 year swap			3.71%		3.63%	Brent Crude	70.45	
3 year swap			3.54%		3.52%	Gold	2,512.50	
5 year swap			3.55%		3.71%	Silver	28.61	
10 year swap			3.82%		3.97%	Iron Ore	91.28	
3 year Govt bond			3.73%		3.51%	CRB Index	319.45	
5 year Govt bond			3.81%		3.58%		NZD	
10 year Govt bond			4.23%		3.96%	NZ Carbon	62.00	

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