

# Market Alert

Tuesday 17 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6199	-0.0001
NZD/AUD	0.9179	-0.0011
NZD/JPY	87.180	-1.97
NZD/EUR	0.5570	-0.0038
NZD/GBP	0.4691	0.0001
NZD/CNH	4.3994	-0.0671
AUD/USD	0.6753	0.0007
AUD/EUR	0.6067	-0.0035
EUR/USD	1.1130	0.0074
USD/CNH	7.0974	-0.1068
GBP/USD	1.3215	-0.0008
EUR/GBP	0.8421	0.0060

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.05%	4.47%
2 year swap	3.59%	3.53%
10 year Govt	4.17%	3.90%

## "What's going on?"

Asked Donald Trump, and I suspect it's a reasonable question after gunshots were fired within his 'general vicinity'. The Donald was unhurt at his West Palm Beach golf course, after agents opened fire at a man who was wielding an assault rifle. Mr. Trump was, and is safe, and he will ... never surrender! Seriously, you couldn't make this stuff up!

## Last night was dull ...

... with financial markets in a holding pattern ahead of the slew of central bank meetings later in the week.

Summing up the data releases ... the NY Empire State manufacturing index unexpectedly jumped to 11.5 to reach its highest since April 2022, compared to Augusts -4.7 and forecasts at -3.9.

European wage growth remains strong after wages grew 4.5% in Q2 on an annual basis. This followed on from Q1's downwardly revised 5.2% gain, which was the largest increase since Q4 2022. UK house prices increased by 0.8% in the September month, double the average for this time of year in the series and the biggest September monthly increase since 2016.

ECB Board Member, Martins Kazaks, confirmed, "Interest rates will continue to be lowered (although) it would take a significant shift in the outlook for the ECB to cut in October. There is no rush to cut rates. The safest approach is to wait for the outlook to become clearer", while the central bank's Chief Economist, Philip Lane, added, "Negotiated wage growth will remain high and volatile over the remainder of the year. A gradual approach to dialling back restrictiveness will be appropriate if the incoming data are in line with the baseline projection. We should retain optionality about the speed of adjustment. A gradual approach to easing is appropriate."

BoC Governor, Tiff Macklem, raised the prospect of faster rate cuts stating, "The labour market is pointing to some downside risks. As you get closer to the target ... you become more concerned about the downside risks."

New Zealand services PSI firmed from 45.2 to 45.5 in August, while an RBNZ paper stated material monetary policy surprises are relatively rare. The definition of a 'material monetary surprise' was defined as instances where market pricing for the OCR immediately

prior to an announcement is more than 5 basis points different from the post announcement rate. Unfortunately, the study only looked at policy surprises from 2006 to 2023, so it didn't take into account the MPS announcements from May and August this year... which I suspect would have qualified as 'material monetary surprises!'

In amongst the will the Fed go 25 or 50 debate, financial markets have stepped up their odds with the market now pricing in a 68% chance the Fed will cut 50bps. That would be a big move given the Fed has only started a cutting cycle with a 50bps cut 3-times in its history. This kept treasury yields under pressure with the 2-year -2bps lower at 3.57% and the 10-years -4bps lower at 3.62%, but given the extent of the move, we could see some profit taking before the actual announcement. The USD-index bounced off its 12-month low during the session, which contributed to a stronger NZD and AUD, with the AUD outperforming as the NZD/AUD eased back to 0.9175. We also saw a modest rally in equity markets with the European and US exchanges broadly rallying 0.5%, while commodity markets also had a positive session with crude rallying 1.7%.

## Finally ...

Amazon has 'advised' employees to return to the office 5-days a week.

CitiBank has stripped its COO of a lot of their responsibilities after the bank was fined USD136m.



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# Daily Rates

Tuesday 17 September 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.60					CAD	0.8421	0.9174
NZD/USD	0.6199	0.0000	0.0002	-0.0001	-0.0008	CHF	0.5236	0.5705
NZD/AUD	0.9179	-0.0005	-0.0010	-0.0011	-0.0004	CNY	4.3863	4.7800
NZD/JPY	87.180	-0.37	-1.04	-1.97	-3.40	DKK	4.1552	4.5273
NZD/EUR	0.5570	-0.0007	-0.0019	-0.0038	-0.0074	FJD	1.3480	1.4687
NZD/GBP	0.4691	-0.0001	0.0000	0.0001	0.0006	HKD	4.8302	5.2627
						KRW	818.41	891.70
AU TWI	61.50					MYR	2.6639	2.9024
AUD/USD	0.6753	0.0004	0.0008	0.0007	-0.0008	NOK	6.5637	7.1514
AUD/NZD	1.0894	0.0005	0.0011	0.0010	-0.0006	SEK	6.3070	6.8718
AUD/JPY	94.96	-0.35	-1.05	-2.04	-3.70	SGD	0.8028	0.8746
AUD/EUR	0.6067	-0.0005	-0.0015	-0.0035	-0.0082	TWD	19.76	21.53
AUD/GBP	0.5110	0.0002	0.0005	0.0006	0.0006	ZAR	10.92	11.90
USD Index	100.70					<b>EQUITIES</b>		
EUR/USD	1.1130	0.0014	0.0041	0.0074	0.0133		<b>Index</b>	
USD/JPY	140.63	-0.60	-1.72	-3.13	-5.32	NZX50	12,704	
GBP/USD	1.3215	0.0001	0.0002	-0.0008	-0.0037	ASX200	8,122	
EUR/GBP	0.8421	0.0010	0.0029	0.0060	0.0122	Dow Jones	41,622	
						S&P 500	5,633	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,278	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,633	
30 day bank bills			5.28%		4.36%	Nikkei	36,582	
90 day bank bills			5.05%		4.47%	<b>COMMODITIES</b>		
1 year swap			4.19%		3.92%		<b>USD</b>	
2 year swap			3.60%		3.54%	Brent Crude	72.92	
3 year swap			3.45%		3.42%	Gold	2,582.59	
5 year swap			3.47%		3.61%	Silver	30.75	
10 year swap			3.76%		3.90%	Iron Ore	92.26	
3 year Govt bond			3.64%		3.45%	CRB Index	328.56	
5 year Govt bond			3.73%		3.51%		<b>NZD</b>	
10 year Govt bond			4.17%		3.90%	NZ Carbon	61.65	

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