

# Market Alert

Friday 20 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6243	-0.0004
NZD/AUD	0.9161	-0.0010
NZD/JPY	89.065	-2.00
NZD/EUR	0.5593	-0.0039
NZD/GBP	0.4702	0.0002
NZD/CNH	4.4162	-0.0664
AUD/USD	0.6814	0.0002
AUD/EUR	0.6105	-0.0037
EUR/USD	1.1161	0.0070
USD/CNH	7.0723	-0.1017
GBP/USD	1.3278	-0.0018
EUR/GBP	0.8405	0.0063

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.00%	4.47%
2 year swap	3.63%	3.65%
10 year Govt	4.28%	4.02%

## For a longtime the markets didn't know what to make of the Fed's 50bps cut!

Was it a defensive move given the Fed thought the US economy was plummeting into oblivion? Were the revised employment numbers a concern? Was it a political move as they want Kamala Harris to be President? Or was it a new central banker innovation to be forward looking rather than backward? Hopefully it was the latter ... but time will tell. One thing it does do is open up the possibility of the RBNZ accelerating their cutting cycle, and if we're going to be forward looking, what are the chances of 2 x 50bps cuts before year end?

If it was the employment revisions, the overnight initial claim's report definitely helped after the number of American's claiming unemployment dropped to

a 4-month low at 219k, which was a substantial drop on last week's 231k and significantly below market expectations of 230k! This saw continuing claims fall to by 14k to 1.829m.

US Treasury Secretary, and former Fed Governor, Janet Yellen, added her seal of approval to the Fed's 50bps cut stating, *"The Fed's move is a very positive sign for the US economy. The US labour market is normal and healthy, like it was pre-Covid."* Does that mean the cut was politically motivated?

ECB board member, Isabel Schnabel, also had this to say, *"Inflation outlook remains challenging, and policy vigilance is needed. Services inflation remains sticky and is keeping headline inflation elevated. Monetary policy transmission may be losing some effectiveness."*

The BoE left their cash rate unchanged at 5.0% overnight following last month's 25bps rate cut. The decision was in-line with expectations although one member dissented voting for a 25bps cut. BoE Governor, Andrew Bailey, added, *"Interest rates are on a gradual path down (although) more evidence is needed (given) service inflation is still elevated."*

## The good, the bad, and the ugly

... that sums up the New Zealand Q2 GDP report. The good news was the report exceeded expectations, the bad news was that it remains in contractionary territory, and the plain ugly news was that for all intents and purposes, we're at threat of entering another recession! Q2 growth fell from 0.2% to -0.2% against expectations at -0.4%, while on an annual

basis, growth fell from 0.3% to -0.5% against expectations at -0.6%.

The Australian employment report saw net employment increase 47.5k in August but, unfortunately, they were all part timers with 50.6k part-time workers joining the workforce, which meant full-time employment fell by -3.1k. The unemployment and participation rates were unchanged at 4.2% and 67.1%.

Morgan Stanley has adjusted its USD-outlook to neutral and recommended JPY longs.

Oh no ... not this again! The US House of Representatives voted down the latest stopgap funding bill which could lead to a partial government shutdown from the 1st October!

Looking at the overnight price action, it took a while, but equity markets eventually decided they liked the 'cut of the Fed's cloth' rallying between 1.25%-2.75% overnight with the Dow and S&P reaching new highs. Commodity prices were also on a tear with steel surging 3.0%, oil rallying 1.5%, while copper firmed 1.0%. The US treasury market continued its steepening theme with the 2-years falling -2bps to 3.60% while the 10-years firmed 2bps to 3.73%. This move was exaggerated in the US swaps market, and we should expect something similar from the local swaps market this morning. Finally, the USD-index fell -0.25%, which saw the NZD and AUD firm towards the top of their recent ranges, with the AUD/USD looking like it may finally consolidate above the 0.6800 level.



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# Daily Rates

Friday 20 September 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.10					CAD	0.8464	0.9253
NZD/USD	0.6243	0.0000	0.0000	-0.0004	-0.0013	CHF	0.5288	0.5773
NZD/AUD	0.9161	-0.0004	-0.0009	-0.0010	-0.0002	CNY	4.4072	4.8110
NZD/JPY	89.065	-0.37	-1.06	-2.00	-3.49	DKK	4.1715	4.5537
NZD/EUR	0.5593	-0.0007	-0.0019	-0.0039	-0.0077	FJD	1.3523	1.4762
NZD/GBP	0.4702	0.0000	0.0001	0.0002	0.0007	HKD	4.8654	5.3112
						KRW	828.90	904.86
AU TWI	62.20					MYR	2.6248	2.8653
AUD/USD	0.6814	0.0003	0.0006	0.0002	-0.0013	NOK	6.5514	7.1517
AUD/NZD	1.0911	0.0005	0.0009	0.0009	-0.0010	SEK	6.3417	6.9228
AUD/JPY	97.44	-0.36	-1.07	-2.09	-3.82	SGD	0.8063	0.8802
AUD/EUR	0.6105	-0.0005	-0.0015	-0.0037	-0.0084	TWD	19.94	21.76
AUD/GBP	0.5131	0.0002	0.0005	0.0008	0.0008	ZAR	10.95	11.95
USD Index	100.65					<b>EQUITIES</b>		
EUR/USD	1.1161	0.0013	0.0037	0.0070	0.0132		<b>Index</b>	
USD/JPY	142.66	-0.59	-1.70	-3.12	-5.35	NZX50	12,665	
GBP/USD	1.3278	-0.0001	-0.0003	-0.0018	-0.0054	ASX200	8,192	
EUR/GBP	0.8405	0.0010	0.0030	0.0063	0.0131	Dow Jones	42,030	
						S&P 500	5,716	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,329	
			<b>Mid</b>		<b>Mid</b>	DAX 30	19,002	
30 day bank bills			5.23%		4.36%	Nikkei	37,155	
90 day bank bills			5.00%		4.47%	<b>COMMODITIES</b>		
1 year swap			4.21%		4.00%		<b>USD</b>	
2 year swap			3.67%		3.66%	Brent Crude	74.77	
3 year swap			3.53%		3.55%	Gold	2,585.92	
5 year swap			3.55%		3.76%	Silver	30.83	
10 year swap			3.84%		4.05%	Iron Ore	91.57	
3 year Govt bond			3.73%		3.55%	CRB Index	335.03	
5 year Govt bond			3.82%		3.62%		<b>NZD</b>	
10 year Govt bond			4.28%		4.01%	NZ Carbon	62.00	

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