

Market Alert

Tuesday 24 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6275	-0.0003
NZD/AUD	0.9168	-0.0007
NZD/JPY	90.030	-2.01
NZD/EUR	0.5645	-0.0039
NZD/GBP	0.4703	0.0004
NZD/CNH	4.4291	-0.0667
AUD/USD	0.6842	0.0001
AUD/EUR	0.6157	-0.0038
EUR/USD	1.1115	0.0072
USD/CNH	7.0573	-0.1033
GBP/USD	1.3343	-0.0020
EUR/GBP	0.8327	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.97%	4.48%
2 year swap	3.64%	3.65%
10 year Govt	4.32%	4.05%

Today's Market Alert is brought to you by the word 'virtually' ...

... in response to a 'heated' discussion as to when the word 'virtually' can and cannot be used! In saying that, the real moral of the story is not to attempt to have an intellectual discussion when you've virtually had 4 negronis!

It's virtually a step in the right direction ... but it is a small step!

Following the recent rate cuts by the Fed and ECB, the PBoC virtually stepped up to the plate cutting their 14-day reverse repo rate from 1.95% to 1.85%! The issue is ... the main policy rate in China these days is the 7-day reverse repo rate ... which was left unchanged at 1.70%! Still, it does highlight that the Fed's 50bps rate cut has provided room for some of the

other central banks in the world room to ease their interest rates lower without unduly weakening their currencies.

The flash PMIs virtually painted a dour picture, as one would expect. US composite PMIs eased from 54.6 to 54.4 in September. The services sector remained strong at 55.4, although the manufacturing contraction deepened falling to 47.0 from 47.9. In the Eurozone, composite PMIs fell for a 4th consecutive month from 51.0 to 48.9 against forecasts at 50.6. It was its lowest level since January with manufacturing output contracting for an 18th consecutive month to reach 44.5 while service sector growth fell from 52.9 to 50.5. The Australian flash PMIs saw manufacturing fall from 48.5 to 46.7, while services fell from 52.5 to 50.6 in September with the report noting that, "The weakness in PMI activity indicators over the past 3 months suggests that households are saving more of the government stimulus than initially expected."

The Chicago Fed National Activity Index increased from July's revised -0.42 to 0.12 in August, which was ahead of forecasts at -0.20 while the US House of Representative has virtually unveiled a stopgap spending bill by the Republicans to fund the government through to the 20th of December.

Fed member Neel Kashkari expects a slower pace of rate cuts ahead, announcing, "I was comfortable taking a larger first step, and then as we go forward, I expect we will probably take smaller steps unless the data changes materially," while

colleague Austin Goolsbee added, "I'm comfortable with the 50bps cut, it shows the Fed is virtually focused on the risks to employment, not just inflation. Many more cuts will likely be needed over the next year."

Japan's vice finance minister, Atsushi Mimura, confirmed the "authorities are virtually always watching markets. The JPY carry trades that were built up in the past are likely to have been mostly unwound, but if such moves increase again, that could heighten market volatility."

The New Zealand trade deficit virtually ballooned even further in August increasing from NZD-963m to NZD-2,200m. Exports fell by 0.1% year-on-year to NZD5.0bn, while imports declined by -1.0% to NZD7.2bn.

What it virtually means ...

... is there's nothing virtual about this! Despite the positive nature of the US releases, USD positioning continues to weigh on the dollar. Interestingly, the NZD and the AUD were the biggest beneficiaries, with both rallying 0.65%, while the JPY firmed 0.3%. Unsurprisingly the EUR fell against the USD on the weak PMI data, which saw the EUR fall -0.45% against the USD and -1.1% against the NZD and AUD. US treasury yields continued their relentless steepening bias with the 2-year falling -2bps to 3.60% while the 10-year firmed 1bps to 3.75%. Equity markets closed in positive territory while commodity markets were mixed. Bring on the RBA this arvo!



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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	71.10					CAD	0.8469	0.9242
NZD/USD	0.6275	0.0000	0.0000	-0.0003	-0.0012	CHF	0.5311	0.5796
NZD/AUD	0.9168	-0.0004	-0.0007	-0.0007	0.0002	CNY	4.4250	4.8263
NZD/JPY	90.030	-0.37	-1.09	-2.01	-3.50	DKK	4.2094	4.5925
NZD/EUR	0.5645	-0.0007	-0.0019	-0.0039	-0.0079	FJD	1.3566	1.4797
NZD/GBP	0.4703	0.0000	0.0001	0.0004	0.0011	HKD	4.8840	5.3270
						KRW	836.80	912.97
AU TWI	62.40					MYR	2.6347	2.8745
AUD/USD	0.6842	0.0003	0.0006	0.0001	-0.0017	NOK	6.5745	7.1729
AUD/NZD	1.0906	0.0004	0.0008	0.0005	-0.0018	SEK	6.3919	6.9737
AUD/JPY	98.19	-0.36	-1.11	-2.13	-3.89	SGD	0.8092	0.8828
AUD/EUR	0.6157	-0.0005	-0.0016	-0.0038	-0.0091	TWD	20.09	21.92
AUD/GBP	0.5127	0.0002	0.0006	0.0008	0.0007	ZAR	10.87	11.86
USD Index	100.87					EQUITIES		
EUR/USD	1.1115	0.0013	0.0038	0.0072	0.0139		Index	
USD/JPY	143.47	-0.59	-1.72	-3.14	-5.36	NZX50	12,404	
GBP/USD	1.3343	-0.0001	-0.0004	-0.0020	-0.0055	ASX200	8,153	
EUR/GBP	0.8327	0.0010	0.0031	0.0064	0.0134	Dow Jones	42,116	
						S&P 500	5,715	
INTEREST RATES			New Zealand		Australia	FTSE100	8,260	
			Mid		Mid	DAX 30	18,847	
30 day bank bills			5.21%		4.35%	Nikkei	37,724	
90 day bank bills			4.97%		4.48%	COMMODITIES		
1 year swap			4.17%		4.00%		USD	
2 year swap			3.66%		3.66%	Brent Crude	73.97	
3 year swap			3.52%		3.55%	Gold	2,627.13	
5 year swap			3.57%		3.75%	Silver	30.68	
10 year swap			3.88%		4.05%	Iron Ore	91.93	
3 year Govt bond			3.73%		3.55%	CRB Index	337.51	
5 year Govt bond			3.85%		3.63%		NZD	
10 year Govt bond			4.32%		4.05%	NZ Carbon	61.90	

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