

Market Alert

Wednesday 25 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6340	-0.0004
NZD/AUD	0.9201	-0.0008
NZD/JPY	90.825	-2.03
NZD/EUR	0.5674	-0.0040
NZD/GBP	0.4728	0.0004
NZD/CNH	4.4456	-0.0691
AUD/USD	0.6890	0.0001
AUD/EUR	0.6166	-0.0039
EUR/USD	1.1173	0.0071
USD/CNH	7.0122	-0.1035
GBP/USD	1.3409	-0.0022
EUR/GBP	0.8332	0.0066

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.94%	4.49%
2 year swap	3.61%	3.54%
10 year Govt	4.32%	3.99%

China brings out a bazooka ... and it's a BIG one!

The PBoC unleashed a wave of stimulus measures in an attempt to re-ignite its economy!

The most important move was a 20bps cut to its benchmark 7-day reverse repo rate, bringing the new rate to 1.50% from 1.70%. This was significant in that most of the previous Chinese cuts have been in batches of 10bps, so a 20bps cut is noteworthy. The second move was a 50bps cut to the major banks reserve ratio requirements (RRR) from 10.0% to 9.5% in an attempt to stimulate lending activity, while further 'adjustments' included the ability for fund managers and brokers to access PBoC fund facilities to buy stocks and shares, while the PBoC will also ramp up its re-lending programme to banks providing 100%

of the principal via bank loans to SOEs to acquire unsold property inventories. The PBoC Governor, Pan Gongsheng, also confirmed that the authorities will announce 6 new measures to support M&A activity, that he expects to cut the LPR, or mortgage rates, by between 0.20%-0.25%, and that the deposit rate on 2nd home purchases will also be reduced from 25% to 15%. Finally, the Governor also warned currency speculators that a dramatically stronger currency would not be tolerated and that while, "uncertainties remain, the Yuan has a stable foundation."

Against this, the RBA brought out a pop gun ...

... leaving its key interest rate unchanged at 4.35%, a 12-year high. This was expected, while the statement repeated a reference to "not ruling anything in or out!"

The statement also noted the RBA doesn't see inflation returning "sustainably" to its target until 2026 with the wording suggesting a more cautious tone. The statement also noted its August Q2 GDP outlook was quite slow. The board also reiterated its concerns about the softening Chinese economy, and its impact on commodity prices, although today's Chinese stimulus announcements saw commodity prices spike, which could offer the RBA some temporary relief.

And the best of the rest ...

... we've seen it before and I suspect we'll see it again ... German IFP business

confidence dropped from 86.6 to 85.4, while the US Case-Shiller 20-city home price index rose 5.9% in the year to July, slightly lower than the prior month's 6.5% gain.

The Chinese stimulus provided a boost to commodity prices with silver spiking 4.8%, copper jumping 4.1% to a 2-month high, steel gained 3.0%, while oil prices firmed 1.8%. Unfortunately, iron ore, which had initially rallied strongly, wasn't able to maintain those gains and is now down -0.4% on the day. The Chinese equity markets liked the stimulatory measures, spiking 4.0%, as did the European and Asian markets which gained 0.5% - 1.3%, although the US markets were flat.

The USD index fell -0.5%, although it should be noted it is still above the 100.00 level and, somewhat confusingly, the NZD was the biggest gainer firming 1.1% to a 9-month high against the USD, and to 0.9200 against the AUD, which has 'only' gained 0.7% against the USD. It's a bit of a mystery as to the extent of the NZD's strength, and while the technicals suggested a rally, the question remains as to why the NZD has outperformed given that the CNH gained 0.7%, the EUR and GBP gained 0.5%, and the JPY only managed 0.3%.

Every session since the Fed's rate cut has seen the US 10-year treasury post yield related gains, although this morning we have seen a correction with the 10-years yield falling -1bps to 3.74%, while the 2-years has fallen -5bps to 3.54% amid the steepening bias.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 25 September 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.50					CAD	0.8516	0.9256
NZD/USD	0.6340	0.0000	0.0000	-0.0004	-0.0011	CHF	0.5344	0.5810
NZD/AUD	0.9201	-0.0004	-0.0008	-0.0008	0.0002	CNY	4.4568	4.8435
NZD/JPY	90.825	-0.41	-1.09	-2.03	-3.54	DKK	4.2295	4.5979
NZD/EUR	0.5674	-0.0008	-0.0020	-0.0040	-0.0080	FJD	1.3645	1.4833
NZD/GBP	0.4728	0.0000	0.0001	0.0004	0.0011	HKD	4.9335	5.3632
						KRW	840.08	913.25
AU TWI	62.50					MYR	2.6303	2.8594
AUD/USD	0.6890	0.0003	0.0006	0.0001	-0.0015	NOK	6.5959	7.1704
AUD/NZD	1.0866	0.0005	0.0008	0.0003	-0.0017	SEK	6.4039	6.9616
AUD/JPY	98.69	-0.40	-1.10	-2.14	-3.91	SGD	0.8135	0.8843
AUD/EUR	0.6166	-0.0005	-0.0016	-0.0039	-0.0090	TWD	20.18	21.94
AUD/GBP	0.5138	0.0002	0.0006	0.0008	0.0010	ZAR	10.96	11.91
USD Index	100.40					EQUITIES		
EUR/USD	1.1173	0.0014	0.0038	0.0071	0.0137		Index	
USD/JPY	143.27	-0.64	-1.70	-3.13	-5.33	NZX50	12,304	
GBP/USD	1.3409	-0.0001	-0.0005	-0.0022	-0.0059	ASX200	8,142	
EUR/GBP	0.8332	0.0011	0.0031	0.0066	0.0137	Dow Jones	42,163	
						S&P 500	5,727	
INTEREST RATES			New Zealand		Australia	FTSE100	8,283	
			Mid		Mid	DAX 30	18,997	
30 day bank bills			5.18%		4.36%	Nikkei	37,941	
90 day bank bills			4.94%		4.49%	COMMODITIES		
1 year swap			4.14%		3.94%		USD	
2 year swap			3.63%		3.56%	Brent Crude	75.19	
3 year swap			3.50%		3.44%	Gold	2,662.55	
5 year swap			3.56%		3.67%	Silver	32.22	
10 year swap			3.87%		3.99%	Iron Ore	91.60	
3 year Govt bond			3.71%		3.52%	CRB Index	341.67	
5 year Govt bond			3.83%		3.61%		NZD	
10 year Govt bond			4.32%		4.03%	NZ Carbon	62.20	

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