

Market Alert

Friday 27 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6327	-0.0004
NZD/AUD	0.9177	-0.0008
NZD/JPY	91.520	-2.05
NZD/EUR	0.5660	-0.0041
NZD/GBP	0.4717	0.0004
NZD/CNH	4.4123	-0.0671
AUD/USD	0.6892	0.0002
AUD/EUR	0.6166	-0.0039
EUR/USD	1.1177	0.0074
USD/CNH	6.9731	-0.0998
GBP/USD	1.3412	-0.0021
EUR/GBP	0.8331	0.0066

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.90%	4.48%
2 year swap	3.55%	3.60%
10 year Govt	4.34%	4.04%

"I don't believe it!"

... said Victor Meldrew, and I know what he means after I saw one of the local banks using a Clash song in one of their ads. I don't blame the bank, but Joe Strummer would be turning in his grave!

Financial markets are in a particularly buoyant mood these days ...

... with equity markets continuing to surge to new highs as the 'hot money' looks to find a suitable home. Interestingly, October tends to be a positive month for most risky assets and traditionally is the start of a nice two-month trend into year-end ... you have been warned!

While US markets were cementing in gains in the 0.5% region, the European bourses were playing catch up, rallying

1.0%-3.0% while the Nikkei rallied 4.3%! Commodity markets were a 'game of 2 halves' with the energy sector under pressure as oil prices plummeted -3.5%, although the other commodity products traded in the green with copper up 3.6%.

Treasury yields continued their relentless grind higher with the 2-year jumping 7bps to 3.63% while the 10-year firmed 1bps to 3.80%. Against this, the USD-index came under selling pressure as most pairs bounced off their key support levels. This saw the NZD/USD reclaim a 0.6300 handle while AUD/USD is challenging the 0.6900 level.

A very dovish 25bps cut from the Swiss National Bank brought its key policy rate to 1.0%. It was the 3rd consecutive rate reduction, lowering Swiss borrowing costs to their lowest level since early 2023. The rationale for the rate cut was to weaken the CHF given its recent strength.

The minutes from the BoJ's July meeting showed that, "Many members said it was appropriate to raise rates to 0.25%. Members said it was appropriate to gradually adjust very low rates now to avoid being forced to hike rates rapidly later."

The RBA's Financial Stability Review highlighted, "The Australian financial system is resilient, and risks are contained. The risk of widespread financial stress in Australia remains limited although the growth of superannuation to one quarter of the financial system could amplify any shocks. The share of borrowers in severe financial stress remains small with the vast majority able to service their debts. Australian banks are well-capitalized, profitable, and have low exposure to bad debts."

US initial claims fell -4k to 218k to reach a new 4-month low, although continuing claims firmed to 1,834k from last month's revised 1,821k. In other US news, annualized Q2 GDP was confirmed at 3.0%, durable goods orders were flat at 0.0%, and the US Senate passed the bill to fund the government through until 20-December ... great that implies a Christmas shutdown!

Federal Reserve Board Governor Adriana Kugler provided some guidance for next week's non-farm payrolls numbers stating, "Below 100k of monthly job gains would be very low, although we must also be mindful of potential downward revisions. A breakeven number for monthly job gains is anywhere from 100K to 240k." It suggests a number under 100k would likely bring a further 50bps cut to the table.

Oh no!

Reports suggest the Chinese authorities are considering injecting USD142bn of capital into the banks, and also giving money to the unemployed.

Unfortunately, as one analysis report suggests, while the PBoC's recent stimulus may offer a short-term lift, they warned that monetary stimulus alone is unlikely to stop the deflationary spiral. By drawing parallels with Japan's housing crisis of the 1990s, the paper suggests that to generate a broad-based recovery there needs to be a bounce in the labour market and/or significant fiscal measures designed to boost disposable household income.



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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	71.30					CAD	0.8524	0.9288
NZD/USD	0.6327	0.0000	0.0000	-0.0004	-0.0005	CHF	0.5348	0.5829
NZD/AUD	0.9177	-0.0004	-0.0007	-0.0008	0.0006	CNY	4.4356	4.8364
NZD/JPY	91.520	-0.39	-1.08	-2.05	-3.54	DKK	4.2198	4.5973
NZD/EUR	0.5660	-0.0007	-0.0019	-0.0041	-0.0079	FJD	1.3628	1.4847
NZD/GBP	0.4717	0.0000	0.0002	0.0004	0.0015	HKD	4.9208	5.3611
						KRW	831.13	905.49
AU TWI	62.60					MYR	2.6190	2.8533
AUD/USD	0.6892	0.0003	0.0006	0.0002	-0.0011	NOK	6.6661	7.2626
AUD/NZD	1.0895	0.0005	0.0008	0.0003	-0.0020	SEK	6.3963	6.9686
AUD/JPY	99.70	-0.38	-1.10	-2.16	-3.94	SGD	0.8114	0.8840
AUD/EUR	0.6166	-0.0005	-0.0017	-0.0039	-0.0090	TWD	20.03	21.82
AUD/GBP	0.5138	0.0003	0.0005	0.0008	0.0010	ZAR	10.87	11.84
USD Index	100.54					EQUITIES		
EUR/USD	1.1177	0.0014	0.0038	0.0074	0.0147		Index	
USD/JPY	144.66	-0.61	-1.71	-3.19	-5.48	NZX50	12,492	
GBP/USD	1.3412	-0.0001	-0.0005	-0.0021	-0.0055	ASX200	8,204	
EUR/GBP	0.8331	0.0011	0.0031	0.0066	0.0142	Dow Jones	42,145	
						S&P 500	5,742	
INTEREST RATES			New Zealand		Australia	FTSE100	8,285	
			Mid		Mid	DAX 30	19,238	
30 day bank bills			5.13%		4.36%	Nikkei	38,926	
90 day bank bills			4.90%		4.48%	COMMODITIES		
1 year swap			4.08%		3.97%		USD	
2 year swap			3.57%		3.62%	Brent Crude	71.23	
3 year swap			3.46%		3.52%	Gold	2,672.70	
5 year swap			3.54%		3.74%	Silver	32.10	
10 year swap			3.88%		4.05%	Iron Ore	92.25	
3 year Govt bond			3.70%		3.52%	CRB Index	338.24	
5 year Govt bond			3.84%		3.62%		NZD	
10 year Govt bond			4.34%		4.06%	NZ Carbon	62.40	

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