

Market Alert

Wednesday 02 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6295	0.0000
NZD/AUD	0.9136	-0.0004
NZD/JPY	90.485	-1.98
NZD/EUR	0.5687	-0.0040
NZD/GBP	0.4740	0.0006
NZD/CNH	4.4237	-0.0561
AUD/USD	0.6890	0.0002
AUD/EUR	0.6224	-0.0043
EUR/USD	1.1069	0.0079
USD/CNH	7.0276	-0.0897
GBP/USD	1.3281	-0.0018
EUR/GBP	0.8334	0.0069

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.84%	4.48%
2 year swap	3.52%	3.61%
10 year Govt	4.34%	4.09%

The ground offensive has seen safe haven flows dominate.

The IDF's raids into Lebanon has seen positioning move onto a defensive footing, which has benefitted the USD and US treasuries. These are traditional safe haven flows, and an escalation of the situation would likely see an acceleration in these flows.

Currently, the USD Index is trading at its 101.00 resistance level, which has seen the NZD/USD and AUD/USD ease back into the high 0.6200s and 0.6800s, respectively, although the NZD was hit harder, leading to the NZD/AUD easing back below the 0.9150 level, while NZD/JPY was also hit hard, falling back to the 90.50 level.

Traders also looked to acquire treasuries on the safe haven flows, which saw the 2

and 10-year yields fall -2bps and -3bps to 3.63% and 3.75%, respectively, and the 10-year struggled to hold the 3.80% level. Equity markets were also a 'sea of red,' easing -0.5% to -1.5%, although the Nikkei rallied 0.75%.

Commodity markets rallied strongly, with oil markets gaining 2.5%, although steel was the strongest performer, rallying 6.75%.

But the data was broadly supportive ...

... with Euro-zone inflation falling from 2.2% in August to 1.8%, its lowest since April 2021 and ahead of forecasts at 1.9%. European inflation is now below the ECB's target at 2.0% supporting the business case for further rate cuts, which saw the German 10-year bund fall -9bps to 2.05%, its lowest level since the start of the year.

ECB member Kazaks added, "The ECB has a clear-cut case for cutting interest rates at its next meeting, as the Euro-zone's economy nears a tipping point. I very much agree with the markets' pricing on the ECB's October interest-rate decision," which is pricing in a 92.0% chance of a 25bps rate cut.

In the US, manufacturing PMIs printed in contractionary territory for the 22nd time out of the last 23 months, printing at 47.2 against expectations at 47.5. Meanwhile, the number of job openings rose by 329k to 8.040m, which was above expectations at 7.655m, while the logistics manager's activity index jumped to its highest level in 2 years at 58.6. The

Atlanta Fed's Q3 GDPNow tracker was lowered, from 3.1% to 2.5%, while US dock workers are threatening to strike after rejecting their latest pay offer.

The GDT dairy auction saw the overall index firm another 1.2% to continue its trend higher, although volumes were at the lower end of the scale. The standout performer was WMP, which firmed 3.0%, while SMP eased -0.6%.

The NZ Treasury suggested, "Recent evidence suggests we are at, or near, the bottom of the economic cycle with consumer and business expectations improving (although) the current account deficit remains high at 6.7% of GDP due to a slow recovery in service exports and strong import volumes." The NZIER also painted a positive picture after business confidence improved from -44 to -1 in Q3, with just 5.0% expecting a deterioration in general economic conditions over the coming months compared to 40.0% in the prior report. The report added, "There was a slight increase in the number of firms reporting higher costs in Q3 with only a net 3.0% of firms able to pass on those costs increases (from 23.0% in Q2) while a significant proportions of firms are now reporting it is easy to find skilled and unskilled labour."

Part of the rationale for the strong AUD overnight was their stronger than expected August retail sales number, which saw monthly sales jump 0.7% to 3.1% on the year. It was the strongest result since May 2023! Despite the surge, consumer sentiment slipped from 84.9 to 82.0.



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Daily Rates

Wednesday 02 October 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.90					CAD	0.8494	0.9299
NZD/USD	0.6295	0.0001	0.0002	0.0000	-0.0001	CHF	0.5334	0.5839
NZD/AUD	0.9136	-0.0003	-0.0005	-0.0004	0.0017	CNY	4.4211	4.8274
NZD/JPY	90.485	-0.39	-1.12	-1.98	-3.40	DKK	4.2404	4.6419
NZD/EUR	0.5687	-0.0007	-0.0020	-0.0040	-0.0079	FJD	1.3579	1.4865
NZD/GBP	0.4740	0.0001	0.0002	0.0006	0.0017	HKD	4.8921	5.3554
						KRW	833.45	912.37
AU TWI	63.10					MYR	2.6189	2.8669
AUD/USD	0.6890	0.0003	0.0006	0.0002	-0.0012	NOK	6.6732	7.3051
AUD/NZD	1.0948	0.0003	0.0005	0.0000	-0.0030	SEK	6.4605	7.0722
AUD/JPY	99.05	-0.40	-1.17	-2.17	-3.94	SGD	0.8105	0.8872
AUD/EUR	0.6224	-0.0006	-0.0019	-0.0043	-0.0100	TWD	20.05	21.95
AUD/GBP	0.5187	0.0003	0.0005	0.0008	0.0009	ZAR	10.94	11.98
USD Index	101.24					EQUITIES		
EUR/USD	1.1069	0.0015	0.0042	0.0079	0.0158		Index	
USD/JPY	143.73	-0.65	-1.81	-3.18	-5.49	NZX50	12,467	
GBP/USD	1.3281	0.0000	-0.0004	-0.0018	-0.0052	ASX200	8,209	
EUR/GBP	0.8334	0.0011	0.0033	0.0069	0.0146	Dow Jones	42,285	
						S&P 500	5,728	
INTEREST RATES			New Zealand		Australia	FTSE100	8,277	
			Mid		Mid	DAX 30	19,213	
30 day bank bills			5.09%		4.35%	Nikkei	38,652	
90 day bank bills			4.84%		4.48%	COMMODITIES		
1 year swap			4.07%		3.99%		USD	
2 year swap			3.56%		3.63%	Brent Crude	73.94	
3 year swap			3.45%		3.55%	Gold	2,661.98	
5 year swap			3.53%		3.77%	Silver	31.40	
10 year swap			3.87%		4.03%	Iron Ore	107.46	
3 year Govt bond			3.69%		3.58%	CRB Index	338.78	
5 year Govt bond			3.84%		3.67%		NZD	
10 year Govt bond			4.34%		4.07%	NZ Carbon	62.70	

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