

# Market Alert

Thursday 03 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6264	0.0000
NZD/AUD	0.9100	-0.0004
NZD/JPY	91.640	-2.03
NZD/EUR	0.5674	-0.0040
NZD/GBP	0.4723	0.0006
NZD/CNH	4.4076	-0.0544
AUD/USD	0.6883	0.0002
AUD/EUR	0.6235	-0.0043
EUR/USD	1.1039	0.0079
USD/CNH	7.0376	-0.0873
GBP/USD	1.3263	-0.0018
EUR/GBP	0.8322	0.0070

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.81%	4.48%
2 year swap	3.52%	3.65%
10 year Govt	4.34%	4.03%

## Here is an interesting thought ...

This week the focus, quite rightly, has been on Friday nights non-farm payrolls and employment data. This will likely set the scene for positioning across the rest of the month as to whether the Fed will cut 25bps or 50bps at its next meeting, but I'm thinking ... it's not about October, it's all about the November number.

Here's the thing ... the US is rapidly becoming embroiled in a number of events that will create havoc with the November employment numbers. The strike by US port workers has seen 45k workers walk off the job, while the Boeing strike has 33k workers locked out. Then there is the impact of Hurricane Helene which has impacted thousands of businesses and workers. The November data will be collected on

the 13th October, and I suspect there will be a lot of unanswered calls this month, which means the November payrolls and employment data takes on even greater significance given the number of strikers and the impacts of the hurricane. Those numbers will be released to the market on the 1st November, which is just ahead of the US election on the 5th and the next FOMC meeting on the 7th!

## Talking of the US jobs market ...

... private businesses in the US added 143k workers to their payrolls in September, the most in 3-months. It was above forecasts at 120k and followed on from August's upwardly revised 103k additions.

The Euro-zone unemployment rate remained unchanged at 6.40% in August.

Deputy ECB President, Luis De Guindos, suggested, "*Services could be the main barrier to lower inflation. All options are on the table for an October decision,*" while colleague, Isabel Schnabel, added, "*A return to our 2.0% inflation target in a timely manner is becoming more and more likely despite elevated services inflation and strong wage growth. Escaping stagnation requires action at both national and European levels.*"

Hedge fund guru, Ray Dalio, was also on the newswires stating, "*China's leadership announced reflationary policies and support for free markets last week. I see this as potentially historic. China faces two paths, either a 'beautiful deleveraging' or a prolonged economic struggle. The key to*

*China's success is the restructuring of bad debts while lowering interest rates below inflation/growth rates.*"

While the data was mildly supportive of the USD-index overnight, what was relevant was that the index has broken resistance at the 101.00 level and appears intent on challenging the 101.85 level. This move saw the NZD and EUR weaken by -0.3%, although the AUD is holding its own just below the 0.6900 level, which has seen NZD/AUD ease off to the 0.9100 level. For those AUD exporters, it's a 6-week low and time to start putting a strategy in place! The JPY also weakened after new prime minister, Shigeru Ishiba, jolted currency markets by saying the economy isn't ready for another interest-rate hike from the central bank.

The stronger USD also found support from US yields, with the 2 and 10-years reversing the prior sessions losses to be 3bps and 5bps higher at 3.65% and 3.79%, which should support yesterday's local bounce.

Equity markets were a sea of red as concerns grew as per the escalation in the Middle East, with markets -0.25% to -0.5% lower, while commodity prices were 1.0% higher.

## Oh yes, there was a debate ...

... a VP debate no less. Nominee's Tim Walz and JD Vance were asked to address the economic challenges facing the US, but there was a lot of noise, there was not a lot of substance!



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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	71.50					CAD	0.8456 0.9290
NZD/USD	0.6264	0.0001	0.0002	0.0000	0.0003	CHF	0.5323 0.5850
NZD/AUD	0.9100	-0.0003	-0.0005	-0.0004	0.0016	CNY	4.3972 4.8323
NZD/JPY	91.640	-0.38	-1.12	-2.03	-3.56	DKK	4.2320 4.6509
NZD/EUR	0.5674	-0.0007	-0.0021	-0.0040	-0.0082	FJD	1.3539 1.4879
NZD/GBP	0.4723	0.0001	0.0003	0.0006	0.0018	HKD	4.8635 5.3450
						KRW	829.33 911.43
AU TWI	62.70					MYR	2.6104 2.8688
AUD/USD	0.6883	0.0003	0.0006	0.0002	-0.0012	NOK	6.6282 7.2843
AUD/NZD	1.0985	0.0003	0.0005	0.0001	-0.0032	SEK	6.4296 7.0661
AUD/JPY	100.66	-0.39	-1.18	-2.19	-4.09	SGD	0.8095 0.8896
AUD/EUR	0.6235	-0.0005	-0.0019	-0.0043	-0.0101	TWD	20.01 21.99
AUD/GBP	0.5188	0.0003	0.0006	0.0008	0.0010	ZAR	10.88 11.95
USD Index	101.66					<b>EQUITIES</b>	
EUR/USD	1.1039	0.0014	0.0043	0.0079	0.0159		<b>Index</b>
USD/JPY	146.29	-0.63	-1.84	-3.24	-5.70	NZX50	12,452
GBP/USD	1.3263	0.0000	-0.0004	-0.0018	-0.0053	ASX200	8,198
EUR/GBP	0.8322	0.0011	0.0035	0.0070	0.0150	Dow Jones	42,205
USD/CNY	7.0176	-0.0220	-0.0545	-0.0976	-0.1719	S&P 500	5,706
						FTSE100	8,291
<b>INTEREST</b>			<b>New Zealand</b>		<b>Australia</b>	DAX 30	19,165
<b>RATES</b>			Mid		Mid	Nikkei	37,809
30 day bank bills			5.04%		4.36%	<b>COMMODITIES</b>	
90 day bank bills			4.81%		4.48%		<b>USD</b>
1 year swap			4.02%		3.99%	Brent Crude	74.02
2 year swap			3.56%		3.66%	Gold	2,653.75
3 year swap			3.45%		3.56%	Silver	31.69
5 year swap			3.52%		3.78%	Iron Ore	108.74
10 year swap			3.86%		4.07%	CRB Index	340.52
3 year Govt bond			3.68%		3.55%		<b>NZD</b>
5 year Govt bond			3.83%		3.64%	NZ Carbon	62.95
10 year Govt bond			4.34%		4.02%		

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