

Market Alert

Tuesday 15 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6088	0.0010
NZD/AUD	0.9059	0.0004
NZD/JPY	91.255	-1.94
NZD/EUR	0.5586	-0.0036
NZD/GBP	0.4665	0.0009
NZD/CNH	4.3210	-0.0470
AUD/USD	0.6720	0.0007
AUD/EUR	0.6165	-0.0045
EUR/USD	1.0899	0.0087
USD/CNH	7.0971	-0.0883
GBP/USD	1.3052	-0.0006
EUR/GBP	0.8350	0.0068

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.65%	4.47%
2 year swap	3.72%	3.91%
10 year Govt	4.57%	4.35%

I'm gobsmacked!

Yesterday I went for my semi-annual haircut. Let's be honest, with my hairline, I only need to go every 6 months ... but here's the thing, the chap used 4 different electric razors! Yes ... that's right ... 4 ... if I hadn't witnessed it myself, I wouldn't have believed it!

The US holiday drained the markets of liquidity ...

... so there isn't a great deal to report on.

But FOMC member Neel Kashkari never takes a day off, and in an interview announced, "The economy is in final stages of getting inflation back to 2.0%. While monetary policy is still in restrictive stance, the neutral rate is likely higher now than where it was pre-pandemic. Further 'modest' cuts appear appropriate." Colleague Christopher Waller then added, "The

Fed should proceed with more caution on rate cuts than was needed at the September meeting. My baseline calls for reducing policy rate gradually over the next year."

While international markets were disappointed with the weekend's Chinese stimulus given the MoF refrained from announcing the actual size of the stimulus, the locals bought into the concept 'big time' with Chinese equity markets capping their best day in a week, suggesting investors are optimistic the government will deliver on its promise of more fiscal support with the issuance of 'special' bonds to support both bank recapitalisation and the real estate markets. Unfortunately, Chinese export growth unexpectedly slowed in September, growing at 2.4% to USD303.71bn, against expectations at 6.0% and August's 17-month high of 8.7%. Chinese bank loans also printed below expectations at CNY1.590trn verse the CNY1.9trn expected.

On a side note, Goldman Sachs has lifted its Chinese GDP forecast from 4.7% to 4.9%, which is just under the Government's 5.0% target

The New Zealand September services PMIs firmed ... ever so slightly ... from 45.5 to 45.7. It was the 7th consecutive month in contractionary territory, and to add to the pessimism, retail sales were flat in September, and down -5.6% on the year, from August's 0.2% and -2.7%.

Looking at the price action, the most noticeable move in FX markets was from the USD-index which completed a perfect technical correction from its September month-end lows. The move was most noticeable against the JPY, EUR and AUD,

with USD/JPY closing in on the 150.00 level, EUR/USD below 1.0900, while AUD/USD is falling towards the 0.6700 handle. The NZD/USD was relatively unscathed although NZD/JPY firmed to 91.25. There was little movement in bond markets with the treasury market closed, global equity markets were in a buoyant mood rallying 0.5%-1.0%, although most commodity markets closed lower after oil prices fell after OPEC trimmed its oil demand forecasts for the 3rd time in a row, this time by 106k barrels to 1.9m barrels per day. Copper prices were also down -2.0%.

The 'interesting' corner!

China is ramping up its military drills in the Taiwan Strait and has essentially surrounded the island with their 'war-games!'

US police say they 'probably' prevented a third assassination attempt on Donald Trump after a man was arrested outside of a campaign rally with multiple illegal guns in his possession ... Although I suspect having a bunch of illegal guns isn't that unusual in America!

Congratulations to economists Daron Acemoglu, Simon Johnson and James Robinson on winning the Nobel Prize in Economic Sciences for their work on the "importance of societal institutions for a country's prosperity." Basically, the less corruption the better, or, to put it another way, societies with "poor rule of law and institutions that exploit the population do not generate growth or change for the better." That's why these guys get paid the big bucks!



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Daily Rates

Tuesday 15 October 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.8399	0.9273
NZD/USD	0.6088	0.0001	0.0005	0.0010	0.0021	CHF	0.5254	0.5802
NZD/AUD	0.9059	-0.0003	-0.0004	0.0004	0.0029	CNY	4.3141	4.7635
NZD/JPY	91.255	-0.39	-1.07	-1.94	-3.42	DKK	4.1657	4.5997
NZD/EUR	0.5586	-0.0007	-0.0019	-0.0036	-0.0073	FJD	1.3414	1.4812
NZD/GBP	0.4665	0.0001	0.0004	0.0009	0.0021	HKD	4.7249	5.2171
						KRW	825.82	911.84
AU TWI	62.40					MYR	2.6115	2.8836
AUD/USD	0.6720	0.0003	0.0007	0.0007	-0.0001	NOK	6.5624	7.2460
AUD/NZD	1.1036	0.0003	0.0000	-0.0009	-0.0041	SEK	6.3481	7.0094
AUD/JPY	100.71	-0.40	-1.18	-2.20	-4.11	SGD	0.7964	0.8793
AUD/EUR	0.6165	-0.0006	-0.0020	-0.0045	-0.0101	TWD	19.59	21.63
AUD/GBP	0.5148	0.0002	0.0005	0.0007	0.0005	ZAR	10.70	11.81
USD Index	103.25					EQUITIES		
EUR/USD	1.0899	0.0015	0.0044	0.0087	0.0178		Index	
USD/JPY	149.89	-0.66	-1.87	-3.41	-6.12	NZX50	12,767	
GBP/USD	1.3052	0.0000	-0.0001	-0.0006	-0.0017	ASX200	8,253	
EUR/GBP	0.8350	0.0012	0.0034	0.0068	0.0144	Dow Jones	43,083	
USD/CNY	7.087	-0.0188	-0.0504	-0.0957	-0.1789	S&P 500	5,860	
						FTSE100	8,293	
INTEREST			New Zealand		Australia	DAX 30	19,508	
RATES			Mid		Mid	Nikkei	39,606	
30 day bank bills			4.88%		4.35%	COMMODITIES		
90 day bank bills			4.65%		4.47%		USD	
1 year swap			4.06%		4.16%	Brent Crude	77.49	
2 year swap			3.76%		3.92%	Gold	2,649.36	
3 year swap			3.71%		3.85%	Silver	31.19	
5 year swap			3.82%		4.08%	Iron Ore	106.44	
10 year swap			4.14%		4.38%	CRB Index	346.45	
3 year Govt bond			3.97%		3.85%		NZD	
5 year Govt bond			4.13%		3.95%	NZ Carbon	63.00	
10 year Govt bond			4.57%		4.35%			

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