

Market Alert

Wednesday 16 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6079	0.0010
NZD/AUD	0.9071	0.0005
NZD/JPY	90.730	-1.89
NZD/EUR	0.5584	-0.0034
NZD/GBP	0.4652	0.0010
NZD/CNH	4.3389	-0.0451
AUD/USD	0.6701	0.0006
AUD/EUR	0.6154	-0.0043
EUR/USD	1.0887	0.0085
USD/CNH	7.1372	-0.0862
GBP/USD	1.3068	-0.0007
EUR/GBP	0.8329	0.0068

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.65%	4.45%
2 year swap	3.66%	3.86%
10 year Govt	4.53%	4.34%

Inflation, and all its caveats

There was little change in dairy prices at the overnight GDT auction, down -0.3% in USD terms but up +2.8% in NZD terms. The dominant WMP price was practically unchanged while SMP, mozzarella and butter were down -1.8%, -8.2% and -0.3% respectively. The only gainer was cheddar cheese, up 4.2%.

The REINZ house price index bounced 0.3% in the month of September, its first gain since April. Despite the rise in prices, the other indicators still point to a softening housing market, with sales volumes falling and number of listings and days to sell both rising.

All eyes will be on the CPI release at 10:45 this morning to see if the numbers confirm Adrian Orr and the RBNZ's outlook on inflation. The release is

expected to show the headline figure come back into the target band of 1% – 3% and pave the way for another 50 basis point cut at the November meeting. Keep an eye on the non-tradeable figure though! Domestically generated inflation has been much slower to react to monetary tightening than its tradeable counterpart, and while it is on its way down, a significant upside surprise to this figure could generate quite the headache for the RBNZ.

The RBNZ will be hoping the inflation rate is tracking somewhere similar to our Commonwealth compatriots in North America: Canadian CPI fell to 1.6% in September, down from 2.0% in August, this marks its lowest level since February 2021.

We also got a look at inflation expectations south of the Canadian border. While not looking as rosy as the aforementioned nation's 1.6%, US consumer inflation expectations held steady at a very respectable 3.0% in September.

Speaking of expectations, Fed President, Mary Daly, said yesterday that the central bank remains on track for one or two more rate cuts this year, as long as data meets expectations. *"We must stay vigilant and be intentional, continually assessing the economy and balancing both of our mandated objectives: fully delivering on 2% inflation while ensuring that the labour market remains in line with full employment,"* before saying of the neutral rate *"we're a long way from where its likely*

to settle." This prompted the US 10-year Treasury to fall 7 basis points from 4.10% to 4.03%.

And everything else?

Data out of the Eurozone overnight was stronger than expected. The ZEW Economic Sentiment index improved from 9.3 to 20.1, well above expectations of 16.9, while industrial production for the year to August turned positive printing at 0.1%, improving from July's -2.1%. However, this data did not shake the market expectations of the outcome at the upcoming ECB meeting on early Friday morning local time. Markets are still pricing in a 96% chance of a 25 basis-point cut.

UK employment increased by 373,000, much more than the 250,000 increase expected; this caused the employment rate to fall from 4.1% to 4.0%. Wage inflation which has remained sticky in the UK also moderated as average earnings both including and excluding bonuses eased in line with market expectations to 3.8% and 4.9% respectively.

Brent oil prices fell \$4.28 overnight to \$73.66 per barrel after a report that Israel may avoid targeting Iran's oil infrastructure, caused fears of major supply disruptions to subside. Softer oil prices look to be a continuing trend in the near future according to the International Energy Agency as they expect supply to remain strong into 2025, and demand to remain subdued due to weaker global growth.



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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	70.30					CAD	0.8386	0.9242
NZD/USD	0.6081	0.0001	0.0005	0.0010	0.0021	CHF	0.5244	0.5779
NZD/AUD	0.9074	-0.0003	-0.0002	0.0004	0.0025	CNY	4.3271	4.7706
NZD/JPY	90.700	-0.37	-1.05	-1.88	-3.33	DKK	4.1660	4.5923
NZD/EUR	0.5585	-0.0007	-0.0018	-0.0035	-0.0071	FJD	1.3574	1.4961
NZD/GBP	0.4653	0.0001	0.0004	0.0010	0.0022	HKD	4.7220	5.2043
						KRW	829.71	914.45
AU TWI	62.40					MYR	2.6187	2.8861
AUD/USD	0.6701	0.0003	0.0007	0.0005	-0.0001	NOK	6.5850	7.2576
AUD/NZD	1.1020	0.0003	0.0001	-0.0011	-0.0046	SEK	6.3360	6.9831
AUD/JPY	99.96	-0.38	-1.14	-2.14	-4.02	SGD	0.7962	0.8776
AUD/EUR	0.6154	-0.0006	-0.0019	-0.0042	-0.0100	TWD	19.58	21.59
AUD/GBP	0.5127	0.0002	0.0005	0.0007	0.0006	ZAR	10.73	11.83
USD Index	103.24					EQUITIES		
EUR/USD	1.0887	0.0015	0.0043	0.0085	0.0175		Index	
USD/JPY	149.17	-0.65	-1.84	-3.35	-5.98	NZX50	12,841	
GBP/USD	1.3068	-0.0001	-0.0002	-0.0007	-0.0022	ASX200	8,318	
EUR/GBP	0.8330	0.0012	0.0034	0.0069	0.0145	Dow Jones	42,706	
USD/CNY	7.1194	-0.0185	-0.0513	-0.0974	-0.1813	S&P 500	5,814	
						FTSE100	8,249	
INTEREST		New Zealand		Australia		DAX 30	19,486	
RATES		Mid		Mid		Nikkei	39,911	
30 day bank bills		4.88%		4.35%		COMMODITIES		
90 day bank bills		4.65%		4.45%			USD	
1 year swap		3.97%		4.12%		Brent Crude	73.66	
2 year swap		3.67%		3.87%		Gold	2,663.39	
3 year swap		3.61%		3.79%		Silver	31.49	
5 year swap		3.72%		4.01%		Iron Ore	107.11	
10 year swap		4.05%		4.29%		CRB Index	336.94	
3 year Govt bond		3.91%		3.83%				
5 year Govt bond		4.08%		3.93%			NZD	
10 year Govt bond		4.53%		4.34%		NZ Carbon	63.00	

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