

Market Alert

Thursday 17 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6058	0.0011
NZD/AUD	0.9089	0.0007
NZD/JPY	90.735	-1.90
NZD/EUR	0.5580	-0.0034
NZD/GBP	0.4664	0.0010
NZD/CNH	4.3234	-0.0464
AUD/USD	0.6665	0.0007
AUD/EUR	0.6138	-0.0043
EUR/USD	1.0857	0.0086
USD/CNH	7.1361	-0.0900
GBP/USD	1.2988	-0.0004
EUR/GBP	0.8357	0.0069

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.59%	4.44%
2 year swap	3.60%	3.82%
10 year Govt	4.50%	4.26%

Inflation within the target range

New Zealand CPI for the September quarter came in at 2.2%, back within the RBNZ's 1.00% - 3.00% target band for the first time since March 2021. Annually, tradeables were down -1.6% (thank you falling oil prices), while non-tradeables were up 4.9% (damn you Council rates). Core was up 3.1% for the year.

The headline data came in slightly below the 2.3% RBNZ forecast, increasing the debate around how quickly policymakers should be getting monetary policy back to 'neutral' or below. The economy has been in a rolling recession for the past two years and with inflation back within the band and job losses mounting, it seems clear that policymakers are a good six months beyond the curve.

Markets on the other hand have been a much better guide to interest rate direction and are currently pricing additional 50bps OCR cuts at both the November and February meetings and an OCR near 3.00% by the end of next year. For many, these cuts can't come soon enough. The next piece of local data to help shape expectations will be the September quarter unemployment numbers, due 6th November, which are expected to show another large rise in the unemployment rate - from 4.6% to 5.0%.

Market reaction to yesterday's inflation data was relatively muted, the NZD/USD easing from 0.6080 to 0.6040 before lifting back to 0.6080 overnight. Swap rates were down 3-4 basis points across the curve, usual daily movements in the current volatile environment.

The best of the rest

Inflation across the globe is coming off quickly. Not only did local CPI undershoot market expectations but British CPI came in softer than expected. Falling oil prices and lower airfares were the drivers behind the surprise. Headline CPI was flat at 0.0% in the September month, while core inflation came in well below expectations of 0.3% to print at 0.1% in the month, a large fall from August's 0.4%. Annual headline CPI is now at its lowest level since April 2021 at 1.7% annually. Markets liked this data and are now fully pricing in a 25bps cut at the Bank of England's next meeting on 7 November.

It was a similar story in Canada, where annual headline inflation dropped from 2.0% to 1.6% earlier this week, tilting the odds in favour of a 50bps cut by the Bank of Canada next week.

Furthermore, US import prices fell 0.4% in September, the largest drop since December 2023, and were down -0.1% over the year, while export prices fell by -0.7% on the month and were down an annualised -2.1% for the year. Lower fuel import prices accounted for a large portion of the price drops, falling -7.0% over the month and -17.3% over the year, while drops in non-agricultural exports outweighed higher agricultural export prices. Markets are pricing in a 25bps cut by the Fed in November.

Japan's core machinery orders were down -1.9% for the month, far greater than the expected -0.1% drop, and were down -3.4% for the year against forecasts of a 3.6% rise.

Today we have an update on the Australian labour market. Market expectations are for the data to be softer than August's stellar numbers, but the last few releases have been much stronger than expected so it wouldn't be surprising if that was the case again today. We also have an updated CPI reading from the Eurozone later tonight local time, before the ECB's interest rate decision early Friday morning. Current market expectations are for a 25bps cut. Finally, we have retail sales from the US as well as continuing Jobless claims.



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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	70.10					CAD	0.8333	0.9175
NZD/USD	0.6058	0.0001	0.0005	0.0011	0.0023	CHF	0.5241	0.5766
NZD/AUD	0.9089	-0.0003	-0.0002	0.0007	0.0031	CNY	4.3123	4.7437
NZD/JPY	90.735	-0.36	-1.07	-1.90	-3.33	DKK	4.1618	4.5797
NZD/EUR	0.5580	-0.0007	-0.0018	-0.0034	-0.0070	FJD	1.3330	1.4668
NZD/GBP	0.4664	0.0001	0.0004	0.0010	0.0020	HKD	4.7065	5.1789
						KRW	825.85	908.75
AU TWI	62.10					MYR	2.5985	2.8593
AUD/USD	0.6665	0.0003	0.0007	0.0007	0.0000	NOK	6.6166	7.2808
AUD/NZD	1.0999	0.0002	0.0001	-0.0013	-0.0043	SEK	6.3669	7.0060
AUD/JPY	99.82	-0.37	-1.17	-2.18	-4.02	SGD	0.7955	0.8753
AUD/EUR	0.6138	-0.0006	-0.0020	-0.0043	-0.0099	TWD	19.50	21.45
AUD/GBP	0.5131	0.0002	0.0005	0.0006	0.0003	ZAR	10.69	11.76
USD Index	103.57					EQUITIES		
EUR/USD	1.0857	0.0014	0.0044	0.0086	0.0177		Index	
USD/JPY	149.77	-0.62	-1.90	-3.38	-6.02	NZX50	12,641	
GBP/USD	1.2988	0.0000	-0.0001	-0.0004	-0.0011	ASX200	8,285	
EUR/GBP	0.8357	0.0011	0.0035	0.0069	0.0142	Dow Jones	43,070	
USD/CNY	7.1192	-0.0183	-0.0537	-0.0998	-0.1898	S&P 500	Denied:	
						FTSE100	5,844	
INTEREST			New Zealand		Australia	DAX 30	19,433	
RATES			Mid		Mid	Nikkei	39,180	
30 day bank bills			4.88%		4.35%	COMMODITIES		
90 day bank bills			4.59%		4.44%		USD	
1 year swap			3.93%		4.09%	Brent Crude	74.13	
2 year swap			3.62%		3.83%	Gold	2,674.62	
3 year swap			3.57%		3.76%	Silver	31.76	
5 year swap			3.69%		3.98%	Iron Ore	106.63	
10 year swap			4.04%		4.27%	CRB Index	336.94	
3 year Govt bond			3.85%		3.78%		NZD	
5 year Govt bond			4.03%		3.88%	NZ Carbon	63.15	
10 year Govt bond			4.50%		4.28%			

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