

Market Alert

Tuesday 22 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6034	0.0013
NZD/AUD	0.9062	0.0011
NZD/JPY	90.955	-1.85
NZD/EUR	0.5579	-0.0035
NZD/GBP	0.4648	0.0010
NZD/CNH	4.3053	-0.0442
AUD/USD	0.6658	0.0005
AUD/EUR	0.6156	-0.0048
EUR/USD	1.0815	0.0090
USD/CNH	7.1358	-0.0889
GBP/USD	1.2982	-0.0001
EUR/GBP	0.8330	0.0069

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.59%	4.43%
2 year swap	3.62%	3.94%
10 year Govt	4.54%	4.36%

Monday was a very long, drawn out day ...

... and ironing 12-shirts last night was the final straw ... but this morning, its different! The sun is shining, it's a beautiful day, and we're 1-day closer to the long weekend!

But it's not inconceivable to think ...

... we've had our 'dose' of excitement for the week! Yes, the exciting thing overnight was yet another interest rate cut from China ... this time covering its 1 and 5-year Loan Prime Rates, but while this was expected, the 25bps cuts were a little larger than anticipated. The 1-year LPR is now at 3.10%, with the 5-years at 3.60%.

German producer prices fell -0.3% on the month following the prior months

-0.8% contraction. On the year, PPIs are now down -1.6%. This marks the 15th consecutive period of producer deflation, driven by a sharp -6.6% decline in energy prices, while New Zealand credit card spending fell -0.4% in September to have fallen -3.2% over the last 12-months.

Central Banker's chit-chat corner ...

As I type, Minneapolis Fed President, Neel Kashkari, is giving a speech espousing all things political, stating, "It wasn't the labour market that caused inflation. We saw signs of labour market weakness which is why we cut 50bps. Evidence of a quick weakening in the labour market could lead to faster rate cuts. Immigration policy will affect our reading of the labour market. Tariffs shouldn't be themselves leading to ongoing inflation probably a one-time change in price level. A rising budget deficit would, on the margin, mean interest rates would be higher. Right now I see modest cuts over the next quarters."

ECB member, Peter Kazimir, announced, "I would like to see more evidence of services disinflation before declaring victory. I'm increasingly confident that the disinflation path is on a solid footing, but we need more evidence."

BoE rate-setter and hawk Megan Greene, favours a "cautious, gradual approach" to easing monetary policy because of uncertainty over how consumers will react to falling borrowing costs after interest rate hikes lured many into saving more, stating, "UK consumption recovery lags behind other developed economies

while discretionary spending remains below pre-pandemic levels. Higher interest rates incentivise savings, delay purchases. A rate-cutting cycle should reduce the incentives for households to delay consumption and save more."

Finally, RBA Deputy Governor, Andrew Hauser, confirmed he is, "slightly surprised employment growth has been so strong. The labour participation rate is strikingly high. The RBA is data dependent, but not data obsessed."

So, what did it all mean?

To be honest, not a lot! Rising treasury yields set the trend with the 2 and 10-years surging 7bps and 10bps to 4.03% and 4.18% respectively, with the 10-year yield at its highest level since late July. In terms of the hows and whys, there wasn't anything specific, although I suspect the markets favour a Trump victory. The higher yields supported the USD-index which gained 0.5%, although it too potentially has a little more gas in the engine. Interesting, the JPY and the AUD were hit the hardest, although the NZD and EUR were also noticeably weaker.

Following last week's strongest weekly performance of the year, US stocks declined overnight falling -0.3% to -0.8%, although weakness was the general trend with markets also lower across Europe and Asia. Conversely, commodity markets were higher, mainly driven by higher oil prices which rose between 1.8% and 2.0% to over USD70.0 per barrel following last week's -8.4% fall.



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Daily Rates

Tuesday 22 October 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.8348	0.9213
NZD/USD	0.6034	0.0001	0.0006	0.0013	0.0029	CHF	0.5223	0.5765
NZD/AUD	0.9062	-0.0003	0.0000	0.0011	0.0045	CNY	4.2953	4.7410
NZD/JPY	90.955	-0.38	-1.03	-1.85	-3.26	DKK	4.1596	4.5905
NZD/EUR	0.5579	-0.0007	-0.0018	-0.0035	-0.0072	FJD	1.3297	1.4675
NZD/GBP	0.4648	0.0001	0.0005	0.0010	0.0022	HKD	4.6899	5.1758
						KRW	832.77	919.04
AU TWI	62.30					MYR	2.5942	2.8629
AUD/USD	0.6658	0.0003	0.0006	0.0005	-0.0004	NOK	6.6052	7.2894
AUD/NZD	1.1034	0.0002	-0.0002	-0.0018	-0.0060	SEK	6.3685	7.0283
AUD/JPY	100.36	-0.39	-1.14	-2.17	-4.08	SGD	0.7942	0.8765
AUD/EUR	0.6156	-0.0006	-0.0020	-0.0048	-0.0111	TWD	19.38	21.39
AUD/GBP	0.5128	0.0002	0.0005	0.0003	-0.0003	ZAR	10.62	11.72
USD Index	103.98					EQUITIES		
EUR/USD	1.0815	0.0015	0.0044	0.0090	0.0189		Index	
USD/JPY	150.74	-0.65	-1.85	-3.39	-6.09	NZX50	12,923	
GBP/USD	1.2982	-0.0001	0.0000	-0.0001	-0.0001	ASX200	8,344	
EUR/GBP	0.8330	0.0012	0.0034	0.0069	0.0145	Dow Jones	42,903	
USD/CNY	7.1189	-0.0189	-0.0516	-0.1020	-0.2005	S&P 500	5,846	
						FTSE100	8,318	
						DAX 30	19,461	
						Nikkei	38,955	
INTEREST		New Zealand		Australia		COMMODITIES		
RATES		Mid		Mid			USD	
30 day bank bills		4.88%		4.36%		Brent Crude	74.30	
90 day bank bills		4.59%		4.43%		Gold	2,718.69	
1 year swap		3.92%		4.18%		Silver	33.74	
2 year swap		3.64%		3.95%		Iron Ore	105.37	
3 year swap		3.60%		3.90%		CRB Index	333.12	
5 year swap		3.75%		4.14%			NZD	
10 year swap		4.10%		4.44%		NZ Carbon	63.10	
3 year Govt bond		3.86%		3.86%				
5 year Govt bond		4.06%		3.96%				
10 year Govt bond		4.54%		4.36%				

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