

Market Alert

Thursday 24 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5999	0.0014
NZD/AUD	0.9055	0.0013
NZD/JPY	91.515	-1.89
NZD/EUR	0.5566	-0.0036
NZD/GBP	0.4643	0.0011
NZD/CNH	4.2816	-0.0440
AUD/USD	0.6623	0.0005
AUD/EUR	0.6144	-0.0050
EUR/USD	1.0778	0.0093
USD/CNH	7.1369	-0.0885
GBP/USD	1.2920	-0.0001
EUR/GBP	0.8342	0.0073

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.56%	4.45%
2 year swap	3.65%	4.00%
10 year Govt	4.61%	4.54%

The Dads and Lads had a few issues ...

... for the 8-side football last night ... too many dads and not enough lads ... I mean, someone's got to do the running right? And playing against a team of young hipsters, of whom most had more hair on their chins than the dads had collectively on their heads, raised concerns ahead of kick-off! But experience is one thing money can't buy ... and while we didn't win, we didn't lose either!

After hinting at it at its prior meeting ...

... the BoC jumped in with both feet, cutting 50bps overnight to lower its cash rate to 3.75%. The larger cut followed the three prior 25bps cuts and can be justified given that Canadian inflation has fallen to 1.6%. The central bank also signalled that it would continue

to lower borrowing costs should the economy develop as expected with the market anticipating a further 50bps cut in December.

The US beige book highlighted an economy that has shown 'little change in nearly all Districts' from the August report which had three Districts showing growth and nine showing flat/declining activity. Employment growth moderated, consumer spending was 'mixed,' price increases moderated, as did wage growth. US existing home sales fell -1.0% from the previous month to a seasonally adjusted annualised rate of 3.8m.

In the central banker's corner, the Fed's Mary Daly announced, "*The work to achieve a soft landing is not fully done,*" BoE Governor, Andrew Bailey, stated, "*Disinflation has taken place faster than expected in the UK and elsewhere,*" while the ECB had a host of speakers, with Fabio Panetta confirming, "*We have clearly seen an improvement in the inflation outlook,*" José Luis Escriva adding, "*Risk to inflation remains balanced,*" and François Villeroy seeing, "*full optionality for December rate meeting.*" Earlier, Christine Lagarde had confirmed she was satisfied with the central banks progress on inflation.

While he doesn't usually give any speeches of substance intra-meeting, overnight the RBNZ Governor, Adrian Orr stated that while, "*uncertainties about firms' price-setting behaviour and the persistence of inflation continue to influence the MPC's thinking. However, these uncertainties are now set against a lower central outlook for inflation. Inflation has declined back to within our target band, as have inflation expectations. We are in a*

situation where we can credibly provide the perspective of an economy returning to low and stable inflation, interest rates becoming less restrictive, and economic activity being revitalised."

The impact!

While the overnight session was light on data releases, and the comments largely in line with what one would expect from central bankers, financial markets remain volatile.

The USD-index continued its relentless grind higher to finish what has been a perfect technical recovery from its 30-September 15-month low. The rally has been most noticeable against the JPY, with USD/JPY surging to 152.55, although it also made noticeable gains against the NZD and AUD, where it gained 0.8% and 0.9% respectively. For the record, the EUR was the strongest against the USD, while NZD/JPY remains within its 90.00-92.15 range.

Treasury yields also continued their relentless grind higher with the 2-years firming 5bps to 4.09%, while the 10-years is 3bps higher at 4.24%. Expect local swap rates to be another couple of pips higher today.

Equity markets extended their losses with the US markets coming under particular pressure as rising yields and concerns over rate cuts weighed on market sentiment. With the US exchanges -1.0% to -1.8% lower, the European markets weren't impacted as much 'only' falling -0.1% to -0.8%. Oil reversed its 2-day upward trend to be -1.4% lower, while silver prices fell -3.4%.



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Daily Rates

Thursday 24 October 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.20					CAD	0.8299	0.9168
NZD/USD	0.5999	0.0001	0.0006	0.0014	0.0031	CHF	0.5199	0.5743
NZD/AUD	0.9055	-0.0002	0.0000	0.0013	0.0047	CNY	4.2754	4.7209
NZD/JPY	91.515	-0.36	-1.07	-1.89	-3.31	DKK	4.1500	4.5832
NZD/EUR	0.5566	-0.0007	-0.0019	-0.0036	-0.0074	FJD	1.3259	1.4643
NZD/GBP	0.4643	0.0001	0.0005	0.0011	0.0023	HKD	4.6596	5.1460
						KRW	827.98	914.40
AU TWI	62.40					MYR	2.6069	2.8790
AUD/USD	0.6623	0.0002	0.0006	0.0005	-0.0003	NOK	6.5932	7.2815
AUD/NZD	1.1042	0.0002	-0.0002	-0.0018	-0.0067	SEK	6.3571	7.0206
AUD/JPY	101.06	-0.38	-1.20	-2.24	-4.18	SGD	0.7933	0.8762
AUD/EUR	0.6144	-0.0006	-0.0021	-0.0050	-0.0117	TWD	19.24	21.24
AUD/GBP	0.5126	0.0002	0.0004	0.0004	-0.0005	ZAR	10.68	11.79
USD Index	104.46					EQUITIES		
EUR/USD	1.0778	0.0014	0.0045	0.0093	0.0198		Index	
USD/JPY	152.55	-0.63	-1.92	-3.44	-6.25	NZX50	12,788	
GBP/USD	1.2920	-0.0001	-0.0001	-0.0001	-0.0001	ASX200	8,216	
EUR/GBP	0.8342	0.0011	0.0035	0.0073	0.0152	Dow Jones	42,501	
USD/CNY	7.1252	-0.0188	-0.0567	-0.1107	-0.2200	S&P 500	5,781	
						FTSE100	8,259	
INTEREST			New Zealand		Australia	DAX 30	19,378	
RATES			Mid		Mid	Nikkei	38,105	
30 day bank bills			4.88%		4.36%	COMMODITIES		
90 day bank bills			4.56%		4.45%		USD	
1 year swap			3.90%		4.21%	Brent Crude	75.02	
2 year swap			3.67%		4.02%	Gold	2,715.86	
3 year swap			3.65%		3.97%	Silver	33.64	
5 year swap			3.81%		4.22%	Iron Ore	104.94	
10 year swap			4.22%		4.52%	CRB Index	338.88	
3 year Govt bond			3.90%		3.98%		NZD	
5 year Govt bond			4.12%		4.11%	NZ Carbon	63.00	
10 year Govt bond			4.61%		4.54%			

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