

Market Alert

Thursday 07 November 2024

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.5957 | 0.0013 |
| NZD/AUD | 0.9040 | 0.0015 |
| NZD/JPY | 91.990 | -1.80 |
| NZD/EUR | 0.5539 | -0.0036 |
| NZD/GBP | 0.4614 | 0.0013 |
| NZD/CNH | 4.2799 | -0.0354 |
| AUD/USD | 0.6589 | 0.0003 |
| AUD/EUR | 0.6126 | -0.0050 |
| EUR/USD | 1.0754 | 0.0094 |
| USD/CNH | 7.1846 | -0.0757 |
| GBP/USD | 1.2909 | -0.0009 |
| EUR/GBP | 0.8330 | 0.0076 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 4.75% | 4.35% |
| 90 day bills | 4.47% | 4.47% |
| 2 year swap | 3.78% | 4.10% |
| 10 year Govt | 4.68% | 4.71% |

"We just witnessed the greatest comeback in the history of comebacks"

Yes ... that is 100% correct! After last week's meltdown, last night we bounced back to win 1-0. We started a player down, played with no subs, with an average age of 109-years, yet we beat a bunch of 25-years with one of them bigger, and better looking, than Superman!

And speaking of comebacks ...

... Donald Trump had a pretty successful night as well! There's a whole lot of noise around this but the key facts are the Republicans won the Presidential election, the Senate, and are very close to winning the House of Representatives. If they do, it will give the Republicans a clean sweep. The 'Donald' also won the

popular vote, which was the first time the Republicans had won it since 2004. While there is still a lot of counting to be done, there is no doubt that this is a crushing defeat for the Democrats.

At the end of the day, it highlights one thing, you should never trust the polls, always trust the betting odds, as that is where the real money is ... especially for that French chap who bet USD36m on a Trump victory!

Financial markets have been on a tear ever since the first polls closed and the results started to filter through. As I type, US equity markets are 2.5%-3.5% higher, although it should be noted the European bourses were 1.0% to 2.0% lower. Commodity prices were all lower with Trump keen to increase digging and drilling, which saw Brent oil fall -0.8% although the biggest moves were in the mining sector with copper plummeting 5.0%, silver plunged 4.5%, while gold fell 3.0%. No surprise, but Bitcoin also made a new high. Fixed income yields also rallied strongly with the 2-years 8bps higher at 4.28% while the 10-years traded at a high of 4.47% before easing back to 4.42% to be up 14bps on the day. Looking at the NZ market, the 3-years is now 37bps above its October low! The USD-index also rallied strongly but is starting to ease back from its highs as we go into the New York close. Worst hit was the JPY, which has fallen a further 1.8% against the USD, with USD/JPY now at 154.45, while the EUR/USD fell 1.6% to be at 1.0750. The NZD and AUD held up rather well only falling 0.8% and 0.7%.

Market focus will now shift to tomorrow morning's Fed meeting, although ECB member, François Villeroy, announced, *"The Trump election victory means more risks for the world economy (but) rate cuts will continue."*

There was also some other news...

... but let's be honest, no one was paying any attention to it!

The release of the NZ Q3 employment report saw the unemployment rate firm from 4.6% to 4.8% against an expected 5.0%. A positive headline number, although the participation rate fell from 71.7% to 71.2%, but then again, the participation rate is not far off its historical high. The labour cost index firmed up 0.6% for the quarter, while public sector wages rose by 0.9%. So, to summarise ... a mixed report that highlights the RBNZ will cut the OCR at month end, most likely by 50bps.

Australian Secretary to the Treasury, Dr Steven Kennedy, announced in a Parliamentary testimony that, *"Interest rates will come down, but not to pre-pandemic levels. Household consumption is subdued, and households are rebuilding savings, Inflation has shown a material fall in cost of living pressures."*

The BoJ minutes highlighted its plan to gradually increase interest rates, although it is cautious of overseas economic uncertainties, especially from the US.



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Daily Rates

Thursday 07 November 2024

| FX | Spot | FECs (mid) | | | | Spot Mid | |
|-------------------|--------|------------|--------------------|---------|------------------|--------------------|---------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... |
| NZ TWI | 69.60 | | | | | CAD | 0.8299 0.9183 |
| NZD/USD | 0.5957 | 0.0001 | 0.0005 | 0.0013 | 0.0028 | CHF | 0.5213 0.5767 |
| NZD/AUD | 0.9040 | 0.0000 | 0.0003 | 0.0015 | 0.0046 | CNY | 4.2713 4.7181 |
| NZD/JPY | 91.990 | -0.34 | -1.02 | -1.80 | -3.30 | DKK | 4.1299 4.5689 |
| NZD/EUR | 0.5539 | -0.0006 | -0.0018 | -0.0036 | -0.0079 | FJD | 1.3215 1.4619 |
| NZD/GBP | 0.4614 | 0.0001 | 0.0006 | 0.0013 | 0.0029 | HKD | 4.6314 5.1237 |
| | | | | | | KRW | 831.65 920.04 |
| AU TWI | 61.50 | | | | | MYR | 2.6206 2.8992 |
| AUD/USD | 0.6589 | 0.0001 | 0.0003 | 0.0003 | -0.0001 | NOK | 6.5816 7.2810 |
| AUD/NZD | 1.1063 | 0.0000 | -0.0005 | -0.0021 | -0.0062 | SEK | 6.4468 7.1320 |
| AUD/JPY | 101.76 | -0.38 | -1.18 | -2.17 | -4.16 | SGD | 0.7931 0.8774 |
| AUD/EUR | 0.6126 | -0.0006 | -0.0023 | -0.0050 | -0.0120 | TWD | 19.22 21.27 |
| AUD/GBP | 0.5104 | 0.0001 | 0.0004 | 0.0005 | 0.0004 | ZAR | 10.47 11.58 |
| USD Index | 104.95 | | | | | EQUITIES | |
| EUR/USD | 1.0754 | 0.0013 | 0.0044 | 0.0094 | 0.0208 | | Index |
| USD/JPY | 154.43 | -0.61 | -1.86 | -3.38 | -6.29 | NZX50 | 12,658 |
| GBP/USD | 1.2909 | -0.0001 | -0.0004 | -0.0009 | -0.0019 | ASX200 | 8,200 |
| EUR/GBP | 0.8330 | 0.0011 | 0.0036 | 0.0076 | 0.0171 | Dow Jones | 43,664 |
| USD/CNY | 7.1782 | -0.0174 | -0.0535 | -0.1072 | -0.2198 | S&P 500 | 5,920 |
| | | | | | | FTSE100 | 5,921 |
| INTEREST | | | New Zealand | | Australia | DAX 30 | 19,039 |
| RATES | | | Mid | | Mid | Nikkei | 39,481 |
| 30 day bank bills | | | 4.75% | | 4.36% | COMMODITIES | |
| 90 day bank bills | | | 4.47% | | 4.47% | | USD |
| 1 year swap | | | 3.99% | | 4.26% | Brent Crude | 74.96 |
| 2 year swap | | | 3.80% | | 4.12% | Gold | 2,665.48 |
| 3 year swap | | | 3.77% | | 4.09% | Silver | 31.22 |
| 5 year swap | | | 3.90% | | 4.36% | Iron Ore | 105.09 |
| 10 year swap | | | 4.28% | | 4.64% | CRB Index | 338.77 |
| 3 year Govt bond | | | 3.96% | | 4.17% | | NZD |
| 5 year Govt bond | | | 4.17% | | 4.31% | NZ Carbon | 63.95 |
| 10 year Govt bond | | | 4.68% | | 4.71% | | |

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