

Market Alert

Wednesday 20 November 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5909	0.0016
NZD/AUD	0.9051	0.0017
NZD/JPY	91.380	-1.76
NZD/EUR	0.5583	-0.0036
NZD/GBP	0.4662	0.0015
NZD/CNH	4.2776	-0.0226
AUD/USD	0.6527	0.0005
AUD/EUR	0.6166	-0.0052
EUR/USD	1.0583	0.0096
USD/CNH	7.2395	-0.0574
GBP/USD	1.2672	-0.0009
EUR/GBP	0.8348	0.0080

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.42%	4.47%
2 year swap	3.77%	4.03%
10 year Govt	4.72%	4.67%

Certainly uncertain

Geopolitical tensions are rising in Europe as Vladimir Putin has signed a doctrine that has lowered the threshold for the use of nuclear weapons after Ukraine made its first strike inside Russia using US-made missiles. Safe haven flows were minimal as the US Treasury 10-year yield is down 4bps at 4.37%, while the US Dollar index is largely unchanged from yesterday, this has allowed the NZD/USD to move back above the 0.5900 level.

The RBA released minutes from its November meeting, being largely what you would expect, with the board not ruling anything in or out and there being "no immediate need" for adjustments in the cash rate. Members also noted that the recent Chinese stimulus minimises some of the downside risks to the Australian economy.

The GDT auction overnight brought further goods news; the GDT index was up 1.9% to now be back above \$4000. Importantly, WMP increased by 3.2% while SMP increased by 0.9%.

CPI corner

Eurozone inflation for October was unchanged from the preliminary reading as headline CPI printed at 0.3% for the month and at 2.0% for the year. As growth remains relatively weak in the Eurozone and inflation is now at the ECB's 2.0% target, ECB Board member, Fabio Panetta, believes that there is no reason for rates to be contractionary and that interest rates must move to neutral, with the idea of interest rates moving below neutral into expansionary territory not unconceivable. Markets appear to agree, with almost 25bps of cuts priced in at the each of the ECB's next 5 meetings to take the deposit facility rate to 2.00% by the middle of next year.

Canadian CPI was slightly stronger than expected printing at 0.4% for the month of October, pushing the annual rate from 1.6% in September to now be at 2.0%, right in the middle of the Bank of Canada's (BoC) 1.0-3.0% target range. This has caused a pull back in the large rate cut expectations with markets now pricing in a full 25bps cut at the next BoC meeting on December 11 to bring the target overnight rate down to 3.75%, with a 50.0% chance it will be a 50bps cut to 3.25%.

Tough going

Although headline inflation has fallen drastically over the past quarter and it is expected to continue on trend, even with food prices experiencing deflation, kiwi households feel that it's not getting much better. The RBNZ's NZ Household Inflation Expectations survey showed that, on average, household perceptions of current inflation were unchanged from the previous quarter at 8.2%, a stark difference to the headline CPI figure at 2.3%. This data is unlikely to make any change to the RBNZ's last monetary policy meeting of the year next week on 27 November, with a 50bp cut still the most likely outcome.



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Daily Rates

Wednesday 20 November 2024

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.50					CAD	0.8251 0.9120
NZD/USD	0.5909	0.0002	0.0006	0.0016	0.0036	CHF	0.5218 0.5768
NZD/AUD	0.9051	0.0000	0.0004	0.0017	0.0048	CNY	4.2767 4.7248
NZD/JPY	91.380	-0.33	-0.98	-1.76	-3.18	DKK	4.1627 4.5996
NZD/EUR	0.5583	-0.0005	-0.0018	-0.0036	-0.0078	FJD	1.3176 1.4559
NZD/GBP	0.4662	0.0002	0.0006	0.0015	0.0033	HKD	4.5974 5.0800
						KRW	823.11 909.50
AU TWI	61.70					MYR	2.6410 2.9182
AUD/USD	0.6527	0.0002	0.0004	0.0005	0.0003	NOK	6.4886 7.1725
AUD/NZD	1.1044	-0.0001	-0.0006	-0.0024	-0.0064	SEK	6.4552 7.1327
AUD/JPY	100.97	-0.38	-1.13	-2.14	-4.04	SGD	0.7903 0.8732
AUD/EUR	0.6166	-0.0006	-0.0022	-0.0052	-0.0119	TWD	19.13 21.14
AUD/GBP	0.5148	0.0002	0.0004	0.0006	0.0008	ZAR	10.66 11.79
USD Index	106.24					EQUITIES	
EUR/USD	1.0583	0.0014	0.0044	0.0096	0.0213		Index
USD/JPY	154.66	-0.62	-1.82	-3.38	-6.28	NZX50	12,816
GBP/USD	1.2672	-0.0001	-0.0004	-0.0009	-0.0016	ASX200	8,374
EUR/GBP	0.8348	0.0011	0.0037	0.0080	0.0178	Dow Jones	43,316
USD/CNY	7.2385	-0.0184	-0.0525	-0.1070	-0.2195	S&P 500	5,920
						FTSE100	8,099
INTEREST			New Zealand		Australia	DAX 30	19,060
RATES			Mid		Mid	Nikkei	38,414
30 day bank bills			4.51%		4.36%	COMMODITIES	
90 day bank bills			4.42%		4.47%		USD
1 year swap			3.95%		4.22%	Brent Crude	73.40
2 year swap			3.79%		4.04%	Gold	2,629.21
3 year swap			3.79%		4.00%	Silver	31.23
5 year swap			3.92%		4.26%	Iron Ore	101.76
10 year swap			4.27%		4.52%	CRB Index	339.75
3 year Govt bond			4.07%		4.13%		NZD
5 year Govt bond			4.28%		4.26%	NZ Carbon	63.95
10 year Govt bond			4.72%		4.67%		

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