Market Alert

CURRENCIES	Spot	6mths
NZD/USD	0.5867	0.0016
NZD/AUD	0.8999	0.0019
NZD/JPY	90.655	-1.73
NZD/EUR	0.5595	-0.0037
NZD/GBP	0.4656	0.0015
NZD/CNH	4.2551	-0.0232
AUD/USD	0.6518	0.0004
AUD/EUR	0.6215	-0.0055
EUR/USD	1.0486	0.0099
USD/CNH	7.2528	-0.0617
GBP/USD	1.2598	-0.0007
EUR/GBP	0.8322	0.0082

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.39%	4.47%
2 year swap	3.73%	4.08%
10 year Govt	4.74%	4.67%

Summing it all up …

… markets were steady overnight.

The USD-index was a touch firmer although it was a 'mixed' night. The EUR felt the most pain as it traded through the 1.0500 level against the USD as it looks to be closing in on the 1.0448 level, although somewhat conversely, the JPY firmed for a change. The NZD was a touch weaker, although the AUD was stronger, which saw NZD/AUD drop to the 0.9000 level. Treasury yields were a touch firmer with the 2 and 10-years 2bps higher at 4.35% and 4.43% respectfully.

Equity markets continued yesterday's grind with markets rallying 0.5%-1.0% although there was a noticeable shift as investors rotated out of tech into stocks linked to the broader economy. Commodities were mixed, although oil prices had a strong session firming 1.7%, gold continued its surge firming 0.75%, although copper fell -1.0%.

Looking at the actual data!

US initial claims fell by 6k towards a 7-month low at 213k, although continuing claims rose by 35k to 1,908k, its highest level in 3-years. Looking at the other releases, existing home sales rose by 3.5% to a seasonally adjusted annualised rate of 3.96m while, in a sign of a manufacturing slowdown, the Philadelphia Fed manufacturing index unexpectedly plummeted to -5.5 in November, which was well below forecasts at 8 and the 2nd negative print since January. In contrast, the UK's monthly manufacturing net balance of new orders increased to -19 in November from -27.

The NZ Treasury has suggested it will lower its economic and fiscal forecasts at its 17th December half-year economic update with the expected late 2024 economic recovery now anticipated to begin later due to a sustained slowdown in productivity. Unfortunately, 2024 productivity has reverted to pre-pandemic levels, with contractionary manufacturing and service activity indicating minimal growth.

Make of it what you will, but it's the age old Doves verse the Hawks!

Chicago Fed President, Austin Goolsbee, is a dove, and confirmed, *"It make sense for the Fed to slow the pace of interest rate cuts as we get close to where rates will settle. Inflation is on its way down to 2.0% and the labour market is close to stable with full employment. Neutral is a long way below where rates are now."*

With a hawkish tone, Richmond Fed President, Thomas Barkin suggested that *"If inflation stays above target, we have to be careful about reducing rates, but if unemployment accelerates, it makes the case to be more forward-leaning. Questions on the pace of further reductions would be more relevant once Fed moves to its 'normalisation' phase. We can see why businesses are concerned about possible inflationary effects from tariffs."*

NY Fed President, John Williams, added, *"The labour market is now in balance, not providing any upward pressure on inflation. We're well positioned for risks of inflation being higher than we expect next year (although) we expect it will be appropriate to cut rates further to more normal, or neutral levels, over time."*

BoE member, Catherine Mann, is a hawk, and stated, *"The BoE should hold rates longer to evaluate the progress on inflation. We can make larger changes when justified by evidence. I'm still seeing a tremendous amount of inflation persistence. A (cumulative) 100bps of cuts too aggressive for me."*

And then there are some who are just simply in the middle with ECB member, Francois Villeroy de Galhau, suggesting that any US tariffs wouldn't significantly alter the outlook for Eurozone inflation adding that, *"The balance of risks on growth and inflation are shifting to the downside."*

Daily Rates

FX	Spot Mid	FECs (mid) 1mth	3mths	6mths	12mths		Spot Mid NZD/...	AUD/...
NZ TWI	69.50					CAD	0.8183	0.9101
NZD/USD	0.5867	0.0002	0.0007	0.0016	0.0038	CHF	0.5198	0.5779
NZD/AUD	0.8999	0.0001	0.0005	0.0019	0.0048	CNY	4.2480	4.7202
NZD/JPY	90.655	-0.33	-0.95	-1.73	-3.11	DKK	4.1717	4.6361
NZD/EUR	0.5595	-0.0005	-0.0018	-0.0037	-0.0079	FJD	1.3115	1.4575
NZD/GBP	0.4656	0.0002	0.0006	0.0015	0.0032	HKD	4.5649	5.0732
						KRW	820.96	912.36
AU TWI	61.90					MYR	2.6158	2.9070
AUD/USD	0.6518	0.0002	0.0004	0.0004	0.0002	NOK	6.4826	7.2044
AUD/NZD	1.1110	-0.0002	-0.0007	-0.0026	-0.0070	SEK	6.4801	7.2015
AUD/JPY	100.60	-0.38	-1.12	-2.14	-4.05	SGD	0.7890	0.8768
AUD/EUR	0.6215	-0.0006	-0.0023	-0.0055	-0.0127	TWD	19.09	21.21
AUD/GBP	0.5172	0.0002	0.0004	0.0006	0.0004	ZAR	10.62	11.80

	Spot Mid	1mth	3mths	6mths	12mths
USD Index	106.96				
EUR/USD	1.0486	0.0014	0.0044	0.0099	0.0216
USD/JPY	154.52	-0.60	-1.81	-3.39	-6.27
GBP/USD	1.2598	-0.0001	-0.0004	-0.0007	-0.0009
EUR/GBP	0.8322	0.0011	0.0037	0.0082	0.0176
USD/CNY	7.2368	-0.0185	-0.0538	-0.1097	-0.2262

EQUITIES

	Index
NZX50	12,765
ASX200	8,323
Dow Jones	43,976
S&P 500	5,955
FTSE100	8,149
DAX 30	19,146
Nikkei	38,026

INTEREST RATES

	New Zealand Mid	Australia Mid
30 day bank bills	4.46%	4.36%
90 day bank bills	4.39%	4.47%
1 year swap	3.93%	4.25%
2 year swap	3.77%	4.10%
3 year swap	3.77%	4.06%
5 year swap	3.91%	4.31%
10 year swap	4.26%	4.56%
3 year Govt bond	4.05%	4.15%
5 year Govt bond	4.27%	4.27%
10 year Govt bond	4.74%	4.67%

COMMODITIES

	USD
Brent Crude	73.87
Gold	2,672.74
Silver	30.82
Iron Ore	101.95
CRB Index	342.50

	NZD
NZ Carbon	63.95

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