

Market Alert

Thursday 28 November 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5904	0.0016
NZD/AUD	0.9090	0.0018
NZD/JPY	89.015	-1.69
NZD/EUR	0.5583	-0.0039
NZD/GBP	0.4658	0.0014
NZD/CNH	4.2776	-0.0261
AUD/USD	0.6493	0.0003
AUD/EUR	0.6141	-0.0054
EUR/USD	1.0574	0.0096
USD/CNH	7.2453	-0.0630
GBP/USD	1.2671	-0.0006
EUR/GBP	0.8341	0.0081

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.37%	4.47%
2 year swap	3.69%	3.98%
10 year Govt	4.57%	4.49%

Despite the 'noise' ...

... markets were relatively steady overnight. US Treasuries continued their rally with yields falling across the curve, which saw the 2-years ease 4bps to 4.22%, while the 10-years fell 7bps to 4.24%. On a side note, the interest-rate option market has taken on a bearish tone which, if correct, suggests treasury yields could surge towards the 4.45%-4.75% range in Q1 2025. The USD-index actually had a reasonable move lower, which saw NZD/USD reclaim the 0.5900 handle, AUD/USD bounce back above the 0.6500 level, and EUR/USD reach 1.0550! Equity markets were broadly lower, while commodity markets followed their recent trend with oil prices lower and gold higher.

So much for 'Shock & Orr!'

In what was one of the quietest RBNZ meetings in a long, long time, the MPC cut the OCR by 50bps to 4.25%.

In the Q&A session, RBNZ Governor, Adrian Orr, essentially cemented in a further 50bps cut at the 19 February meeting stating, *"Its a misunderstanding that the RBNZ projections show slower pace of rate cuts. The projections are consistent with 50bp cut in February ... depending on the economy."* He then added, *"We expect more volatility in prices because of geopolitics. There was very little discussion of a 75bps or 25bps rate cut. The Committee is confident domestic inflation pressures will continue to ease and are confident economic growth will pick up in 2025. Neutral is somewhere between 2.5% to 3.5% and we expect to be around neutral by end 2025."* The Governor then went to great lengths to emphasise that the central bank is not on vacation until its next meeting on 19-February, and that this time of year is often the busiest period ... and that, *"The policy committee can meet at any time if needed!"* You see, it's not all beer and ice cream working at the RBNZ!

The latest inflation updates ...

US PCE inflation printed broadly in line with expectations, which is actually a positive given the last few prints from US CPI, the Eurozone and the UK, all highlighted an uptick in inflationary pressures! But, as I said, monthly PCE inflation was on the button with the

headline and core printing at 0.2% and 0.3% respectively, although the annual prints showed modest increases with the headline firming from 2.1% to 2.3%, while the core measure squeezed from 2.7% to 2.8%. Looking at the other US releases, the second reading of Q3 GDP remained at 2.8% although the prices paid index firmed from 1.8% to 1.9%, while consumer spending increased 3.5%. Initial claims fell by 2k to 213k, continuing claims fell 1k to 1,907k, personal income rose to a 7-month high at 0.6% to USD25.0trn, while personal spending also increased by 0.4%. Finally, pending home sales rose 2.0% in October following on from September's upwardly revised 7.5% surge.

Australian inflation flatlined at 2.1%, which was better than the 2.3% forecast, although the trimmed mean measure firmed from 3.2% to 3.5% ... which is just plain ugly! Completed construction work also received a boost improving from 0.1% to 1.6% in Q3.

ECB Board Member, Isabel Schnabel, warned against cutting interest rates too much stating, *"The costs of moving into accommodative territory could be higher than the benefits. I see only limited room for further rate cuts. The (Eurozone) economy is still stagnating but I don't see a risk of a recession. I need to see services inflation come down."*

And the news just keeps getting worse ... Arabica coffee futures reached their highest price since 1977, and have now rallied almost 70% this year, due to global supply worries.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Thursday 28 November 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.30					CAD	0.8278	0.9110
NZD/USD	0.5904	0.0002	0.0006	0.0016	0.0036	CHF	0.5199	0.5723
NZD/AUD	0.9090	0.0001	0.0005	0.0018	0.0047	CNY	4.2758	4.7047
NZD/JPY	89.015	-0.31	-0.93	-1.69	-3.04	DKK	4.1623	4.5791
NZD/EUR	0.5583	-0.0006	-0.0018	-0.0039	-0.0081	FJD	1.3177	1.4497
NZD/GBP	0.4658	0.0002	0.0006	0.0014	0.0030	HKD	4.5921	5.0519
						KRW	820.89	903.09
AU TWI	61.50					MYR	2.6205	2.8829
AUD/USD	0.6493	0.0001	0.0003	0.0003	0.0003	NOK	6.5246	7.1779
AUD/NZD	1.1000	-0.0002	-0.0007	-0.0025	-0.0063	SEK	6.4342	7.0785
AUD/JPY	97.93	-0.35	-1.07	-2.06	-3.85	SGD	0.7903	0.8694
AUD/EUR	0.6141	-0.0007	-0.0023	-0.0054	-0.0122	TWD	19.16	21.08
AUD/GBP	0.5123	0.0001	0.0003	0.0004	0.0005	ZAR	10.72	11.79
USD Index	105.95					EQUITIES		
EUR/USD	1.0574	0.0014	0.0043	0.0096	0.0214		Index	
USD/JPY	150.77	-0.58	-1.71	-3.24	-6.00	NZX50	13,213	
GBP/USD	1.2671	-0.0001	-0.0004	-0.0006	-0.0010	ASX200	8,407	
EUR/GBP	0.8341	0.0011	0.0036	0.0081	0.0175	Dow Jones	44,758	
USD/CNY	7.2458	-0.0182	-0.0524	-0.1079	-0.2230	S&P 500	5,993	
						FTSE100	8,275	
INTEREST		New Zealand		Australia		DAX 30	19,262	
RATES		Mid		Mid		Nikkei	38,135	
30 day bank bills		4.40%		4.37%		COMMODITIES		
90 day bank bills		4.37%		4.47%			USD	
1 year swap		3.90%		4.19%		Brent Crude	72.42	
2 year swap		3.71%		3.99%		Gold	2,638.19	
3 year swap		3.69%		3.92%		Silver	30.02	
5 year swap		3.79%		4.16%		Iron Ore	102.06	
10 year swap		4.13%		4.40%		CRB Index	344.89	
3 year Govt bond		3.88%		3.99%			NZD	
5 year Govt bond		4.10%		4.10%		NZ Carbon	64.05	
10 year Govt bond		4.57%		4.49%				

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED