

# Market Alert

Wednesday 11 December 2024

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.5803 | 0.0015  |
| NZD/AUD    | 0.9094 | 0.0018  |
| NZD/JPY    | 88.160 | -1.64   |
| NZD/EUR    | 0.5513 | -0.0037 |
| NZD/GBP    | 0.4546 | 0.0015  |
| NZD/CNH    | 4.2114 | -0.0264 |
| AUD/USD    | 0.6379 | 0.0004  |
| AUD/EUR    | 0.6060 | -0.0053 |
| EUR/USD    | 1.0525 | 0.0096  |
| USD/CNH    | 7.2573 | -0.0643 |
| GBP/USD    | 1.2766 | -0.0012 |
| EUR/GBP    | 0.8242 | 0.0082  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 4.25% | 4.35%     |
| 90 day bills | 4.30% | 4.49%     |
| 2 year swap  | 3.55% | 3.77%     |
| 10 year Govt | 4.43% | 4.14%     |

## RBA leaves rate unchanged but markets react

The RBA left the cash rate target unchanged at 4.35% yesterday, as expected. The statement declared that underlying inflation remains too high, although other recent data on economic activity was mixed and softer than expected, and that the outlook remains uncertain. Based on its most recent forecasts, the RBA does not see inflation returning sustainably to the target midpoint level of 2.5% until 2026. The RBA's assessment was that monetary policy still remains restrictive and is working as anticipated. The release stated that "while headline inflation has declined substantially and will remain lower for a time, underlying inflation is more indicative of inflation momentum, and it remains too high. The November SMP forecasts suggest that it will be some

time yet before inflation is sustainably in the target range and approaching the midpoint. Recent data on inflation and economic conditions are still consistent with these forecasts, and the Board is gaining some confidence that inflation is moving sustainably towards target."

RBA Governor, Michele Bullock, also highlighted that the change in tone in the policy statement was intentional, reflecting the softer economic data. Australia's economy grew by just 0.3% in the third quarter of 2024. On a per capita basis, GDP has not grown since Q4 2022, a record bad run that has not been matched since the 1990's. Hopes for a near-term rate cut subsequently rose, sending swap rates tumbling. The next RBA decision is in February and the market is now pricing in a 64% chance of a cut at that meeting. The Aussie 10-year bond yield accelerated its recent descent to now sit around 4.14%, down from 4.22% before the announcement and far below its November high of 4.70%. The AUD/USD followed suit and fell from 0.6420 to 0.6380.

NAB's monthly business survey revealed that Australian business confidence fell sharply in November, coming in at -3 from the previous figure of 5, a fall of 8 index points. Most industries saw declines in business confidence, except for construction and mining, up 7 and 3 points respectively. Business conditions also fell, with the index down to 2 from the previous figure of 7, a drop of 5 index points, with all three sub-components now at or below average. Despite the gloomy readings, the release stated that, overall, the survey pointed to ongoing soft growth in Q4, although it would take

time for pricing pressures to normalise, with price and cost growth indicators broadly unchanged across the survey.

## Currency weakness supporting NZ farmers

The overnight GDT dairy pulse auction bought slightly lower prices for SMP and WMP, falling 1.5% and 1.6% respectively, in US dollar terms. The recent fall in the NZD, down 1.3% in a week, maintained the prices on an NZ dollar basis.

## Elsewhere in the world

US Q3 nonfarm productivity growth has been confirmed at 2.2% in the third quarter of 2024. This number represents the biggest gain this year. Output and hours worked also popped 3.5% and 1.2% respectively, while the business and manufacturing sector experienced productivity gains at 1.7% and 0.9%. US labour costs also rose less than thought, unit labour costs were revised down 1.1% to 0.8% for Q3, far below the market's initial expectations of a 1.5% increase.

Chinese export growth disappointed, growing a modest 6.7% against an expected 8.5% increase. Many expected a big jump in exports considering US importers will be front loading orders ahead of any incoming tariffs. Instead, Chinese imports fell, reflecting weak internal demand, with imports from NZ down 8.6% so far in 2024. China's latest stimulus announcement has seemed to barely have an impact on international markets, maybe one more stimulus package will do the trick!



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# Daily Rates

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| FX                    | Spot   | FECs (mid) |                    |                  |         | Spot Mid           |              |        |
|-----------------------|--------|------------|--------------------|------------------|---------|--------------------|--------------|--------|
|                       | Mid    | 1mth       | 3mths              | 6mths            | 12mths  | NZD/...            | AUD/...      |        |
| NZ TWI                | 69.30  |            |                    |                  |         | CAD                | 0.8212       | 0.9033 |
| NZD/USD               | 0.5803 | 0.0002     | 0.0005             | 0.0015           | 0.0037  | CHF                | 0.5116       | 0.5629 |
| NZD/AUD               | 0.9094 | 0.0001     | 0.0005             | 0.0018           | 0.0043  | CNY                | 4.2059       | 4.6249 |
| NZD/JPY               | 88.160 | -0.36      | -0.90              | -1.64            | -2.90   | DKK                | 4.1101       | 4.5196 |
| NZD/EUR               | 0.5513 | -0.0006    | -0.0017            | -0.0037          | -0.0076 | FJD                | 1.3101       | 1.4406 |
| NZD/GBP               | 0.4546 | 0.0002     | 0.0006             | 0.0015           | 0.0035  | HKD                | 4.5100       | 4.9594 |
|                       |        |            |                    |                  |         | KRW                | 832.52       | 915.48 |
| AU TWI                | 60.50  |            |                    |                  |         | MYR                | 2.5675       | 2.8233 |
| AUD/USD               | 0.6379 | 0.0001     | 0.0002             | 0.0004           | 0.0006  | NOK                | 6.4683       | 7.1128 |
| AUD/NZD               | 1.0995 | -0.0002    | -0.0008            | -0.0025          | -0.0060 | SEK                | 6.3662       | 7.0006 |
| AUD/JPY               | 96.93  | -0.42      | -1.05              | -2.00            | -3.66   | SGD                | 0.7781       | 0.8557 |
| AUD/EUR               | 0.6060 | -0.0008    | -0.0023            | -0.0053          | -0.0114 | TWD                | 18.88        | 20.76  |
| AUD/GBP               | 0.4996 | 0.0001     | 0.0003             | 0.0006           | 0.0014  | ZAR                | 10.34        | 11.37  |
| USD Index             | 106.43 |            |                    |                  |         | <b>EQUITIES</b>    |              |        |
| EUR/USD               | 1.0525 | 0.0014     | 0.0041             | 0.0096           | 0.0213  |                    | <b>Index</b> |        |
| USD/JPY               | 151.91 | -0.67      | -1.68              | -3.20            | -5.94   | NZX50              | 12,723       |        |
| GBP/USD               | 1.2766 | -0.0001    | -0.0005            | -0.0012          | -0.0020 | ASX200             | 8,393        |        |
| EUR/GBP               | 0.8242 | 0.0012     | 0.0036             | 0.0082           | 0.0178  | Dow Jones          | 44,390       |        |
| USD/CNY               | 7.25   | -0.0193    | -0.0535            | -0.1110          | -0.2277 | S&P 500            | 6,054        |        |
|                       |        |            |                    |                  |         | FTSE100            | 8,280        |        |
|                       |        |            |                    |                  |         | DAX 30             | 20,329       |        |
|                       |        |            |                    |                  |         | Nikkei             | 39,368       |        |
| <b>INTEREST RATES</b> |        |            | <b>New Zealand</b> | <b>Australia</b> |         | <b>COMMODITIES</b> |              |        |
|                       |        |            | Mid                | Mid              |         |                    | <b>USD</b>   |        |
| 30 day bank bills     |        |            | 4.38%              | 4.37%            |         | Brent Crude        | 72.37        |        |
| 90 day bank bills     |        |            | 4.30%              | 4.49%            |         | Gold               | 2,692.84     |        |
| 1 year swap           |        |            | 3.77%              | 4.03%            |         | Silver             | 32.00        |        |
| 2 year swap           |        |            | 3.60%              | 3.78%            |         | Iron Ore           | 106.34       |        |
| 3 year swap           |        |            | 3.57%              | 3.71%            |         | CRB Index          | 346.69       |        |
| 5 year swap           |        |            | 3.66%              | 3.95%            |         |                    |              |        |
| 10 year swap          |        |            | 3.97%              | 4.22%            |         |                    | <b>NZD</b>   |        |
| 3 year Govt bond      |        |            | 3.80%              | 3.74%            |         | NZ Carbon          | 60.00        |        |
| 5 year Govt bond      |        |            | 3.98%              | 3.84%            |         |                    |              |        |
| 10 year Govt bond     |        |            | 4.43%              | 4.14%            |         |                    |              |        |

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