

Market Alert

Thursday 19 December 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5686	0.0016
NZD/AUD	0.9078	0.0019
NZD/JPY	87.915	-1.63
NZD/EUR	0.5460	-0.0037
NZD/GBP	0.4500	0.0018
NZD/CNH	4.1567	-0.0237
AUD/USD	0.6263	0.0003
AUD/EUR	0.6014	-0.0053
EUR/USD	1.0413	0.0094
USD/CNH	7.3105	-0.0610
GBP/USD	1.2635	-0.0019
EUR/GBP	0.8242	0.0086

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.29%	4.52%
2 year swap	3.55%	3.88%
10 year Govt	4.55%	4.37%

It's a Christmas miracle!

I must admit that I'm slightly mechanically challenged, but I do know some things, and as I was due down country earlier in the week, I thought, for the first time ever, I thought I'd check the tyres, coolant, and oil. The thing is, my car has an electronic dipstick, which I didn't know, but to be safe, I thought I'd add a little bit of oil into the engine. Next morning, on the road, everything was going fine, apart from a light on the dashboard, but I never worry about those things until they start flashing red. When, low and behold, some brown stuff started to appear on the windscreen ... and then oil started to appear on the bonnet! Yep ... that oil cap hadn't been screwed on correctly ... but how was I supposed there was some type of special masonic twist I was supposed to do on the cap? Still, we're alive and the car works ... so it's a Christmas miracle!

NZD at its lowest in 2-years ... AUD at a 14-month low!

Ahead of the Fed announcement at the top of the hour, the NZD and AUD continued their trend of 'death by a thousand cuts' as they fell by a further 0.5% overnight. But what is particularly interesting is that the USD-index is still some way off its 22-November high above 108.00 with, at this stage at least, 107.30 providing resistance.

Most markets were quiet ahead of the decision with the 2-year US yield 3bps lower at 4.23%, while the 10-years lost 1bps to be at 4.40%. Equity and commodity markets were relatively steady, although it should be noted oil prices were a percent higher.

Overnight, UK inflation rose for a 2nd consecutive month, firming from 2.3% to 2.6%, UK pay growth remained steady at 4.0%. US housing starts unexpectedly fell for a 3rd month, falling 1.8%, while the US current account deficit widened to a record high at USD310.9bn in Q3.

The Australian government has forecast its deficit will balloon by an additional AUD23bn to reach AUD117bn over the next 3-years, growth will be at 1.8% in 2024/25 and 2.3% in 2025/26, while unemployment is projected to be at 4.5% from 2024/25 to 2026/27.

The NZ Q3 current account deficit exploded from NZD4.8bn to NZD10.6bn, but as a percentage of GDP it improved from -6.7% to -6.4%.

ECB Chief Economist, Philip Lane, confirmed, "The ECB must keep an open

mind about the pace of interest-rate cuts as lingering risks in the global economy could still shift the outlook for inflation."

The Fed cut 25bps ...

... to a 4.25% to 4.50% range, but it was a hawkish rate cut given that the dot-plots for 2025 were reduced from a projected 4 rate cuts to just 2, or 50bps worth of reductions to a 3.90% mid-point. In 2026 the dot-plots have a 3.4% mid-point, with 3.1% in 2027. Interestingly, there was 1-dissenter, Cleveland's Beth Hammack, who favoured an unchanged verdict, which is a bold move given she only joined the FOMC mid-year.

The statement emphasised that, "Recent indicators suggest that economic activity has continued to expand at a solid pace. Labour market conditions have generally eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the Committee's 2.0% objective but remains somewhat elevated."

The hawkishness of the FOMC's projections saw treasury yields gap higher and the USD-index trade above the 107.30 level. The EUR, AUD and NZD all broke lower to be at 1.0425, 0.6265 and 0.5685 as I type.



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Daily Rates

Thursday 19 December 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	68.60					CAD	0.8180	0.9014
NZD/USD	0.5686	0.0001	0.0005	0.0016	0.0040	CHF	0.5103	0.5623
NZD/AUD	0.9078	0.0001	0.0006	0.0019	0.0047	CNY	4.1719	4.6029
NZD/JPY	87.915	-0.36	-0.90	-1.63	-2.87	DKK	4.0728	4.4869
NZD/EUR	0.5460	-0.0007	-0.0018	-0.0037	-0.0073	FJD	1.2941	1.4257
NZD/GBP	0.4500	0.0002	0.0007	0.0018	0.0046	HKD	4.4173	4.8664
						KRW	820.81	904.26
AU TWI	60.20					MYR	2.5395	2.7977
AUD/USD	0.6263	0.0000	0.0001	0.0003	0.0011	NOK	6.4234	7.0764
AUD/NZD	1.1015	-0.0002	-0.0009	-0.0027	-0.0077	SEK	6.2883	6.9276
AUD/JPY	96.82	-0.40	-1.06	-2.00	-3.63	SGD	0.7722	0.8507
AUD/EUR	0.6014	-0.0008	-0.0024	-0.0053	-0.0112	TWD	18.50	20.38
AUD/GBP	0.4956	0.0001	0.0004	0.0008	0.0023	ZAR	10.34	11.39
USD Index	107.52					EQUITIES		
EUR/USD	1.0413	0.0014	0.0041	0.0094	0.0212		Index	
USD/JPY	154.62	-0.66	-1.73	-3.24	-6.18	NZX50	12,866	
GBP/USD	1.2635	-0.0003	-0.0009	-0.0019	-0.0042	ASX200	8,309	
EUR/GBP	0.8242	0.0013	0.0037	0.0086	0.0180	Dow Jones	43,267	
USD/CNY	7.2864	-0.0183	-0.0525	-0.1143	-0.2435	S&P 500	6,061	
						FTSE100	8,199	
INTEREST		New Zealand		Australia		DAX 30	20,243	
RATES		Mid		Mid		Nikkei	39,082	
30 day bank bills		4.38%		4.38%		COMMODITIES		
90 day bank bills		4.29%		4.52%			USD	
1 year swap		3.72%		4.06%		Brent Crude	73.57	
2 year swap		3.57%		3.90%		Gold	2,616.07	
3 year swap		3.54%		3.84%		Silver	29.87	
5 year swap		3.65%		4.08%		Iron Ore	105.58	
10 year swap		3.99%		4.33%		CRB Index	349.27	
3 year Govt bond		3.81%		3.86%			NZD	
5 year Govt bond		4.03%		3.97%		NZ Carbon	61.70	
10 year Govt bond		4.55%		4.37%				

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