

# Market Alert

Thursday 07 March 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6133	-0.0004
NZD/AUD	0.9334	-0.0053
NZD/JPY	91.53	-2.56
NZD/EUR	0.5625	-0.0047
NZD/GBP	0.4809	-0.0007
NZD/CNH	4.4215	-0.0609
AUD/USD	0.6569	0.0032
AUD/EUR	0.6024	-0.0017
EUR/USD	1.0902	0.0082
USD/CNH	7.2079	-0.0942
GBP/USD	1.2748	0.0008
EUR/GBP	0.8550	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.69%	4.39%
2 year swap	4.98%	3.94%
10 year Govt	4.71%	4.10%

## Super Tuesday wasn't so super ... yawn!

As that birdie predicted, Donald Trump has essentially secured the Republican nomination after Nikki Haley formally ended her White House bid clearing path for a Trump-Biden rematch, and while financial markets yawned their way through Super Tuesday, at least we had some excitement with Jerome Powell who was testifying to the Senate Banking Committee. Mr. Powell reiterated that while the Fed is in no rush to cut rates, "It will be appropriate to start reducing the Fed funds rate at some point this year, but only when there is greater confidence that inflation is sustainably moving towards our 2.0% target," before he warned, "Reducing policy restraint too soon, or too much, could result in a reversal of the progress we have

seen in inflation and ultimately require even tighter policy to get inflation back to target." In an interesting side note, Mr. Powell suggested the central bank may significantly increase large lenders capital requirements, coincidentally, on the very same day that New York Commercial Bancorp crashed -45%, to be down -75% on the year, as the commercial real estate lender sought outside capital to shore up its balance sheet.

Fed Colleague, Mary Daly, was also talking, and essentially parroted Jerome Powell's comments, stating, "Policy is in a good place, although there is more work to do. We are on path to bring inflation down as gently as we can. The Fed is facing A calibration exercise on policy. We are waiting and watching the economy to fine-tune our decision-making."

Financial markets liked the cut of Jerome's jib, with equities rallying 0.50%-1.0% across the board, while bond yields moved south with the 2 and 10-years falling -2bps and -4bps to 4.53% and 4.09%, with the short-end now pricing in a 92% chance of a June Fed cut. The USD-index gave up -0.5%, which saw the NZD and AUD outperform, especially the AUD with NZD/AUD falling to 0.9330. Commodity markets were also on a tear with crude and Brent rallying 1.9% and 1.4%, while copper continued its recovery.

The BoC left its policy rate unchanged at 5%, as expected, although the central bank acknowledged the weakening labour market due to rapid immigration,

which should help to dampen wage pressures. Eurozone retail sales increased slightly, by 0.1%, following December's sharp drop, although they remain well below the November level suggesting a weak Q1 GDP print.

Australian Q4 GDP expanded 0.2%, easing from Q3's upwardly revised 0.3%, to be at 1.5% on the year which was where forecasters had projected the print. It was the 9th straight period of growth, although it was the softest pace in 5 quarters as household spending was subdued. Nevertheless, one of the larger Australian banks has announced they now expect 3 x 25bps RBA rate cuts in 2024 following the slightly weaker GDP print as, "Momentum in the economy has ground to a halt."

## Whatever you can do, I can do better!

Oh no you can't ... oh yes, I can! And like a good pantomime sing-along, RBNZ Chief Economist, Paul Conway, confirmed that the RBNZ is going to follow the Fed stating, "If the Fed did start to cut towards the end of this year, and we didn't, that would show up in the exchange rate (which) would start to appreciate, which would bring down inflationary pressures." But from a domestic perspective, it's not so positive as, "There's a bit of wiggle room in there for us, I think in terms of charting our own course, but I think it's limited."



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# Daily Rates

Thursday 07 March 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.30					CAD	0.8287	0.8878
NZD/USD	0.6135	0.0000	-0.0001	-0.0004	-0.0016	CHF	0.5406	0.5794
NZD/AUD	0.9335	-0.0009	-0.0028	-0.0053	-0.0099	CNY	4.4147	4.7292
NZD/JPY	91.55	-0.44	-1.32	-2.56	-4.89	DKK	4.1928	4.4909
NZD/EUR	0.5626	-0.0007	-0.0023	-0.0047	-0.0103	FJD	1.3515	1.4476
NZD/GBP	0.4812	-0.0001	-0.0003	-0.0007	-0.0019	HKD	4.7983	5.1395
						KRW	815.81	873.80
AU TWI	61.00					MYR	2.9009	3.1071
AUD/USD	0.6569	0.0006	0.0018	0.0032	0.0051	NOK	6.4323	6.8896
AUD/NZD	1.0711	0.0010	0.0031	0.0058	0.0107	SEK	6.3103	6.7585
AUD/JPY	98.05	-0.38	-1.15	-2.21	-4.26	SGD	0.8207	0.8790
AUD/EUR	0.6024	-0.0002	-0.0006	-0.0017	-0.0050	TWD	19.33	20.71
AUD/GBP	0.5153	0.0004	0.0012	0.0020	0.0032	ZAR	11.55	12.37
USD Index	103.30					<b>EQUITIES</b>		
EUR/USD	1.0902	0.0014	0.0041	0.0082	0.0175		<b>Index</b>	
USD/JPY	149.25	-0.72	-2.14	-4.09	-7.61	NZX50	11,796	
GBP/USD	1.2748	0.0002	0.0006	0.0008	0.0013	ASX200	7,734	
EUR/GBP	0.8550	0.0009	0.0027	0.0056	0.0124	Dow Jones	38,678	
						S&P 500	5,117	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,679	
			<b>Mid</b>		<b>Mid</b>	DAX 30	17,717	
30 day bank bills			5.59%		4.35%	Nikkei	40,091	
90 day bank bills			5.65%		4.39%	<b>COMMODITIES</b>		
1 year swap			5.50%		4.18%		<b>USD</b>	
2 year swap			5.00%		3.96%	Brent Crude	83.20	
3 year swap			4.69%		3.84%	Gold	2,146.99	
5 year swap			4.43%		4.02%	Silver	24.17	
10 year swap			4.45%		4.25%	Iron Ore	116.21	
3 year Govt bond			4.69%		3.67%	CRB Index	318.22	
5 year Govt bond			4.54%		3.75%		<b>NZD</b>	
10 year Govt bond			4.71%		4.11%	NZ Carbon	68.70	

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