

# Market Alert

Thursday 04 April 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6007	-0.0001
NZD/AUD	0.9147	-0.0045
NZD/JPY	91.15	-2.48
NZD/EUR	0.5548	-0.0045
NZD/GBP	0.4748	-0.0007
NZD/CNH	4.3550	-0.0486
AUD/USD	0.6566	0.0031
AUD/EUR	0.6060	-0.0021
EUR/USD	1.0831	0.0086
USD/CNH	7.2478	-0.0798
GBP/USD	1.2651	0.0012
EUR/GBP	0.8560	0.0057

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	4.84%	4.00%
10 year Govt	4.70%	4.22%

## And just like that ... I'm back on trend!

And all it took was an article in the Wall Street Journal ... under the section 'On Trend' the article "*Ignore the Presidents. Neckties Are Waging a Comeback!*" Confirmed what I have always known ... I am one trendy dude. Next thing is to get that Shogun haircut as a new trend!

## Shhhhh .... Jerome is speaking!

Fresh off the newswires, Jerome Powell has just announced, "*The recent readings on job gains and inflation were higher than expected, but do not materially change the overall picture. If the economy evolves as the Fed expects, most FOMC participants see it as appropriate to begin cutting rates this year. It is too soon to say whether the recent inflation readings are more than just*

*a bump. We need to see an unwinding of the pandemic led distortions and the effects of tighter monetary policy. We think monetary policy is tight but there may be more supply-side gains to be had on inflation.*"

Looking at last night's releases, the US job market remains strong, private businesses hired 184k workers in March, which was the biggest increase in 8-months, ahead of forecasts at 148k, while the February number was also revised higher to 155k, although it wasn't all positive after ISM service PMIs fell to a 3-month low at 51.4, from 52.6 in February.

The job market is also strong in the Euro-area, with the unemployment rate at a record low of 6.5% in February 2024, matching January's revised figure. Euro-area preliminary inflation also continued the positive narrative, declining to 2.4% in March, which was below forecasts at 2.6%, while the core print fell to its lowest level since February 2022 at 2.9%, below forecasts of 3.0%. I suspect it won't be enough for an April ECB cut though.

The other data points saw the China Caixin service PMIs firm from 52.5 to 52.7, while the Japanese equivalent, the Jibun/S&P service PMIs firmed to 54.1 from 52.9.

In the latest investment bank forecasts, Goldmans is projecting US Q1 GDP will print at 2.3%, while UBS is forecasting 3 FOMC rate cuts in 2024, with 5 further cuts in 2025. Against this, Pimco has boosted its UK, Australia, NZ, Canadian and European bonds holdings versus the

US, betting the Fed will deliver fewer rate cuts than those other central banks in the next couple of years.

While Jerome's comments were very much middle of the road, there is no doubt last night's releases played to the higher US rate narrative, while the Euro-area inflation print supported the rationale for a June ECB cut. Given all of this, one would have expected EUR/USD selling, but this wasn't the case, with the pair potentially about to close above a key resistance level. With speculators looking to force the break, the USD-index came under wider selling pressure, which saw both the NZD and AUD firm back above the 0.6000 and 0.6550 levels. In amongst this bond yields were steady, with the US 2-years 1bps lower at 4.69%, while the 10-years flatlined at 4.36%. Equity markets were marginally higher firming 0.3%, as were commodity markets, although copper prices were up 3%.

## Chinese smartphone company Xiaomi ...

... yeah, I haven't heard of them either ... launched their first electric cars overnight, selling 89k with orders for a further 500k. In direct competition to Tesla, they are almost 10% cheaper, have a 500km range, and can be controlled by your Xiaomi phone. It's perhaps no wonder that Tesla shares, once the darling of the markets, are the worst performing stock on the S&P this year!



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# Daily Rates

Thursday 04 April 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.8127	0.8883
NZD/USD	0.6007	0.0000	0.0000	-0.0001	-0.0002	CHF	0.5424	0.5930
NZD/AUD	0.9147	-0.0008	-0.0023	-0.0045	-0.0075	CNY	4.3413	4.7452
NZD/JPY	91.15	-0.44	-1.25	-2.48	-4.65	DKK	4.1358	4.5207
NZD/EUR	0.5548	-0.0007	-0.0021	-0.0045	-0.0095	FJD	1.3305	1.4543
NZD/GBP	0.4748	-0.0001	-0.0003	-0.0007	-0.0015	HKD	4.7026	5.1403
						KRW	808.30	883.52
AU TWI	61.50					MYR	2.8551	3.1208
AUD/USD	0.6566	0.0006	0.0017	0.0031	0.0051	NOK	6.4409	7.0403
AUD/NZD	1.0927	0.0009	0.0027	0.0051	0.0083	SEK	6.3900	6.9846
AUD/JPY	99.60	-0.39	-1.11	-2.24	-4.31	SGD	0.8099	0.8853
AUD/EUR	0.6060	-0.0002	-0.0008	-0.0021	-0.0058	TWD	19.23	21.02
AUD/GBP	0.5190	0.0003	0.0010	0.0018	0.0026	ZAR	11.20	12.24
USD Index	104.26					<b>EQUITIES</b>		
EUR/USD	1.0831	0.0013	0.0039	0.0086	0.0181		<b>Index</b>	
USD/JPY	151.67	-0.73	-2.07	-4.09	-7.69	NZX50	12,040	
GBP/USD	1.2651	0.0002	0.0006	0.0012	0.0031	ASX200	7,783	
EUR/GBP	0.8560	0.0009	0.0027	0.0057	0.0121	Dow Jones	39,184	
						S&P 500	5,221	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,937	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,368	
30 day bank bills			5.59%		4.35%	Nikkei	39,452	
90 day bank bills			5.63%		4.40%	<b>COMMODITIES</b>		
1 year swap			5.32%		4.22%		<b>USD</b>	
2 year swap			4.85%		4.02%	Brent Crude	89.38	
3 year swap			4.57%		3.92%	Gold	2,296.61	
5 year swap			4.38%		4.10%	Silver	27.05	
10 year swap			4.47%		4.36%	Iron Ore	102.91	
3 year Govt bond			4.57%		3.74%	CRB Index	340.85	
5 year Govt bond			4.46%		3.82%		<b>NZD</b>	
10 year Govt bond			4.70%		4.22%	NZ Carbon	59.30	

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