

Market Alert

Friday 26 April 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5948	-0.0001
NZD/AUD	0.9128	-0.0044
NZD/JPY	92.565	-2.54
NZD/EUR	0.5544	-0.0047
NZD/GBP	0.4753	-0.0007
NZD/CNH	4.3151	-0.0456
AUD/USD	0.6515	0.0029
AUD/EUR	0.6071	-0.0024
EUR/USD	1.0727	0.0087
USD/CNH	7.2563	-0.0758
GBP/USD	1.2513	0.0016
EUR/GBP	0.8572	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.42%
2 year swap	5.12%	4.36%
10 year Govt	4.98%	4.51%

The worst of both worlds!

Last night was all about one thing, US Q1 GDP, but for every Yin, there is also a Yang!

Simply put, the US economy undershot expectations 'only' growing 1.6% in Q1 on an annualized basis, which was way below expectations at 2.4% and Q4's 3.4%. Mind you, we'd sell a grandparent for that sort of growth in New Zealand! This poor result immediately had everyone assuming this print would provide the Fed with room to accelerate their cutting cycle, but digging into the detail, the closely watched core personal consumption input advanced at a greater-than-expected 3.7%, compared with 2.0% in Q4! Ultimately, this report was the worst of both worlds with economic growth slowing and inflationary pressures rising ... so expect to see and hear a lot more discussion on stagflation ahead of tonight's PCE

release, with most forecasters revising their PCE projections higher! And in a further point, to highlight the impact of 'Bidenomics', Goldmans highlighted that government spending slowed more than they expected, with federal spending contributing negatively to GDP.

In the other US releases, initial jobless claims fell by 5k to 207k, while continuing claims fell from last weeks revised 1,796k to 1,781k. But at least everyone in Germany is feeling more positive, after GfK consumer confidence firmed to a 2-year high to -24.2, which was above market forecasts at -25.9.

The other big focal point over the last 24-48 hours has been the weakening JPY, which has plummeted to new lows, trading at 155.55 with markets on high alert for possible BoJ FX intervention! But apart from the JPY, the USD-index was predominately weaker across the board, falling against the EUR, CHF, and GBP, while the NZD and AUD have posted modest gains. Against this, US yields are firmer on the 'stagflation jitters' with the 2 and 10-years 6bps higher at 5.00% and 4.71%, respectively, while equity markets are trading -0.25% to -0.75% lower, and to make it worse, US fund managers with ESG mandates suffered their worst-ever outflows in Q1, losing USD8.8bn as investors turn their backs on the strategy. Interestingly, commodities are trading higher with oil pricing their systematic 1.25% gain, while gold and copper prices also firmed. In a slightly unusual move, Chinese refiners are paying USD14 per barrel less for Venezuelan oil after the US reimposed sanctions.

Is the dream over? Don't say it's so ...

Fed 'insider', WSJ reporter Nic Timiraos, has just published an article titled, "*The Dream of Fed rate cuts is slipping away*" highlighting that the recent economic releases have consistently shown inflation being more persistent than initially expected.

ECB member, Fabio Panetta, continued the central bank's preparation strategy for a June cut, stating, "*We must weigh the risk of monetary policy becoming too tight. Timely and small rate cuts would counter weak demand and could be paused at no cost. The ECB is likely to remain restrictive well into 2025. Large rate cuts could create a credibility issue.*"

Forget about the 'Wah's' lets concentrate on the cricket!

In a remarkably low key T20 series, the Black Caps are leading Pakistan 2-1 with 1 match to play!

Finally, US births declined in 2023 to their lowest level in more than 40 years, prompting the article, "*Having kids right now doesn't make you a moron.*" I'll reserve judgement on this one!



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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	70.40					CAD	0.8125 0.8902
NZD/USD	0.5948	0.0000	0.0000	-0.0001	-0.0002	CHF	0.5424 0.5944
NZD/AUD	0.9128	-0.0008	-0.0024	-0.0044	-0.0074	CNY	4.3045 4.7164
NZD/JPY	92.565	-0.44	-1.29	-2.54	-4.83	DKK	4.1335 4.5283
NZD/EUR	0.5544	-0.0007	-0.0022	-0.0047	-0.0102	FJD	1.3522 1.4814
NZD/GBP	0.4753	-0.0001	-0.0003	-0.0007	-0.0019	HKD	4.6552 5.0998
						KRW	816.04 893.98
AU TWI	62.00					MYR	2.8391 3.1103
AUD/USD	0.6515	0.0006	0.0017	0.0029	0.0049	NOK	6.5217 7.1446
AUD/NZD	1.0953	0.0009	0.0027	0.0049	0.0067	SEK	6.4755 7.0938
AUD/JPY	101.40	-0.39	-1.15	-2.30	-4.62	SGD	0.8084 0.8856
AUD/EUR	0.6071	-0.0002	-0.0008	-0.0024	-0.0070	TWD	19.36 21.21
AUD/GBP	0.5206	0.0004	0.0011	0.0017	0.0018	ZAR	11.31 12.39
USD Index	105.56					EQUITIES	
EUR/USD	1.0727	0.0013	0.0042	0.0087	0.0193		Index
USD/JPY	155.61	-0.73	-2.16	-4.26	-8.06	NZX50	11,946
GBP/USD	1.2513	0.0002	0.0006	0.0016	0.0034	ASX200	7,683
EUR/GBP	0.8572	0.0009	0.0029	0.0057	0.0127	Dow Jones	38,064
						S&P 500	5,051
INTEREST RATES			New Zealand		Australia	FTSE100	8,079
			Mid		Mid	DAX 30	17,917
30 day bank bills			5.60%		4.35%	Nikkei	37,628
90 day bank bills			5.63%		4.42%	COMMODITIES	
1 year swap			5.53%		4.44%		USD
2 year swap			5.13%		4.37%	Brent Crude	89.21
3 year swap			4.88%		4.31%	Gold	2,332.19
5 year swap			4.70%		4.49%	Silver	27.41
10 year swap			4.76%		4.73%	Iron Ore	109.23
3 year Govt bond			4.88%		4.09%	CRB Index	345.97
5 year Govt bond			4.79%		4.18%		NZD
10 year Govt bond			4.98%		4.52%	NZ Carbon	55.90

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