

Market Alert

Tuesday 16 July 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6078	0.0000
NZD/AUD	0.8993	-0.0033
NZD/JPY	95.950	-2.54
NZD/EUR	0.5578	-0.0047
NZD/GBP	0.4688	-0.0004
NZD/CNH	4.4217	-0.0546
AUD/USD	0.6758	0.0024
AUD/EUR	0.6201	-0.0032
EUR/USD	1.0895	0.0093
USD/CNH	7.2746	-0.0901
GBP/USD	1.2965	0.0011
EUR/GBP	0.8402	0.0064
INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.56%	4.50%
2 year swap	4.42%	4.20%
10 year Govt	4.51%	4.41%

"Cor blimey Governor"

"It's a real pea-souper this morning!" Yes, it's a foggy old morning in Auckland Town, so get ready for those delays on the motorway! And to make it worse, or better depending which side of the fence you're on, it's not coming home! But congratulations to Argentina after they won their 16th Copa America title, beating Colombia 1-0.

Bon Jovi said it best!

"Shot through the heart, and you're to blame. Darling, you give love a bad name!" Yes, Donald Trump is continuing to make headlines! Already this morning the Federal case accusing him of mishandling classified information has been dismissed while he has just announced the Ohio Senator, JD Vance, will be his VP

running mate. Any relation to JD Sports? Following the shooting, Elon Musk and Bill Ackman both endorsed Trump, while Ken Griffin and Paul Singer are in talks to donate to his campaign. And speaking of such things, we know US politics' is all about the money, but I've just seen someone who working in a fundraising capacity at the weekends event ... selling Trump themed jam!

Financial markets reacted strongly overnight to the increased likelihood of a Trump Presidency, mainly because there was nothing else to talk about! US equity markets surged while longer dated treasury yields firmed on the expectation a Trump Presidency would generate more-expansive fiscal policies, which saw the 10-year yield firm 4bps to 4.23%. The USD-index also rallied on 'safe-haven' flow's, which saw the NZD and AUD ease back, gold and bitcoin gained, while oil prices eased.

Looking at the actual data releases, the NY Empire State manufacturing index declined to -6.6, below expectations at -6.0, Euro-zone industrial production decreased 0.6% in May, while New Zealand service PMIs continued their plummeting trend falling from 43.0 to 40.2 in June to record their 2nd consecutive post-Covid record low. To highlight how bad this is, service PMIs have now been below average for over a year, while the weakness appears to be accelerating.

The data out of China hasn't improved ahead of this week's 'Third Plenum' with the economy growing at its slowest pace

in 5 quarters after Q2 GDP expanded at just 4.7%, slowing from Q1's 5.3% and below expectations at 5.1%. Adding to Chinese woes, house prices fell in June with new house prices falling -0.67% while 'used' prices dropped -0.85%, while annual retail sales growth slowed from 3.7% to 2.0%. There was also a WSJ article suggesting Chinese local governments (councils) have racked up as much as USD11trn of 'off-the-books' debt to build industrial districts, resorts, transit systems and housing projects, with many that have failed!

Jerome Powell announced that the Fed wouldn't wait until inflation reached 2.0% to cut interest rates given that central bank policy works with "long and variable lags" explaining, "The implication is that if you wait until inflation gets all the way down to 2.0%, you've probably waited too long, because the tightening that you're doing, or the level of tightness that you have, is still having effects which will probably drive inflation below 2.0%." Colleague, Austan Goolsbee, added that he expects rate cuts will soon be warranted although he declined to say whether the Fed should cut in July or wait until September.

Finally, Fitch believe the Fed has "an incentive to start cutting rates sooner than later" given the balance of risk between the unemployment rate and inflation is now two-sided with the labour market back in balance. This gives the Fed an incentive to start cutting rates sooner than later with inflation seemingly back on the path towards 2.0%.



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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	71.50					CAD	0.8309 0.9244
NZD/USD	0.6078	0.0000	0.0000	0.0000	-0.0002	CHF	0.5440 0.6053
NZD/AUD	0.8993	-0.0008	-0.0021	-0.0033	-0.0038	CNY	4.4236 4.9211
NZD/JPY	95.950	-0.48	-1.31	-2.54	-4.56	DKK	4.1604 4.6274
NZD/EUR	0.5578	-0.0009	-0.0024	-0.0047	-0.0088	FJD	1.3325 1.4820
NZD/GBP	0.4688	-0.0001	-0.0003	-0.0004	-0.0005	HKD	4.7430 5.2754
						KRW	841.67 936.15
AU TWI	64.40					MYR	2.8375 3.1560
AUD/USD	0.6758	0.0006	0.0015	0.0024	0.0024	NOK	6.5663 7.3035
AUD/NZD	1.1120	0.0009	0.0024	0.0037	0.0032	SEK	6.4436 7.1663
AUD/JPY	106.69	-0.44	-1.22	-2.48	-4.74	SGD	0.8161 0.9077
AUD/EUR	0.6201	-0.0004	-0.0013	-0.0032	-0.0078	TWD	19.82 22.05
AUD/GBP	0.5211	0.0003	0.0008	0.0012	0.0012	ZAR	11.06 12.31
USD Index	104.22					EQUITIES	
EUR/USD	1.0895	0.0016	0.0047	0.0093	0.0168		Index
USD/JPY	157.85	-0.78	-2.15	-4.18	-7.46	NZX50	12,123
GBP/USD	1.2965	0.0003	0.0007	0.0011	0.0003	ASX200	8,018
EUR/GBP	0.8402	0.0011	0.0030	0.0064	0.0125	Dow Jones	40,144
						S&P 500	5,637
INTEREST		New Zealand		Australia		FTSE100	8,183
RATES		Mid		Mid		DAX 30	18,591
30 day bank bills		5.61%		4.35%		Nikkei	41,191
90 day bank bills		5.56%		4.50%		COMMODITIES	
1 year swap		4.99%		4.38%			USD
2 year swap		4.44%		4.21%		Brent Crude	84.92
3 year swap		4.18%		4.10%		Gold	2,421.62
5 year swap		4.06%		4.25%		Silver	30.65
10 year swap		4.23%		4.45%		Iron Ore	109.58
3 year Govt bond		4.30%		4.06%		CRB Index	339.21
5 year Govt bond		4.24%		4.10%			NZD
10 year Govt bond		4.51%		4.40%		NZ Carbon	54.00

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