

# Market Alert

Tuesday 16 July 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6053	0.0000
NZD/AUD	0.8988	-0.0032
NZD/JPY	95.845	-2.56
NZD/EUR	0.5552	-0.0047
NZD/GBP	0.4665	-0.0004
NZD/CNH	4.4108	-0.0545
AUD/USD	0.6734	0.0024
AUD/EUR	0.6177	-0.0032
EUR/USD	1.0900	0.0095
USD/CNH	7.2873	-0.0910
GBP/USD	1.2974	0.0011
EUR/GBP	0.8399	0.0065
INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.55%	4.49%
2 year swap	4.36%	4.15%
10 year Govt	4.45%	4.34%

## CPI Day

After last Wednesday's dovish tilt from the RBNZ, markets are now pricing in 70bps of cuts for this calendar year.

Today's local Q2 CPI is an important piece of the puzzle towards completing the picture for rates cuts in 2024. Due to a domestic economy that appears to be grinding to a halt as consumers continue to tighten their belts, as well as easing price pressures for businesses and a loosening labour market, it is expected that we will see a marked reduction in tradable inflation with markets expecting annual headline inflation falling to 3.6%. 2023's Q2 figure of 1.1% will also fall out of the annual rate. However, most important is what the non-tradable

number will print at; the selected price index showed that there was some easing in rental price inflation as net migration continues to cool. However, components of non-tradable inflation that are less sensitive to monetary policy, such as insurance & rates, have shown no indication of real easing. We may only see a small reduction in non-tradable inflation from Q1's annual rate of 5.9% depending on these factors.

Canadian CPI printed at -0.1% for the month of June, below expectations of 0.1% and putting the annual rate at 2.7%, down from May's 2.7%. This led markets to price in a greater than 80.0% chance of a cut at the BoC meeting later this month. We also have CPI from the UK & Eurozone later today.

The IMF has warned inflation has been cooling slower than expected for most countries, a threat to global growth from rates staying higher for longer than expected.

## Round-up

Last night's GDT auction looked not too bad on the surface as the index increased by 0.4%. However, when you look at the individual components it wasn't so good; key indicator WMP was down -1.6%, while SMP was down -1.1%. On the positive side of things, the biggest winner was cheddar, which increased by 6.2%.

Yesterday local swap rates hit their lowest level in almost two years. After

initially increasing on the back of a stronger than expected U.S. Retail sales printing, flat at 0.0% for the month, the US 10-year Treasury fell 7bps to currently sit at 4.16%. This will likely see local swap rates open lower today. However, the previously mentioned local CPI release at 10:45 this morning will dictate where local swap rates go today, it may be a rather busy day for traders if CPI prints weaker than expected!



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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	71.20					CAD	0.8271 0.9208
NZD/USD	0.6053	0.0000	0.0000	0.0000	0.0000	CHF	0.5406 0.6018
NZD/AUD	0.8988	-0.0008	-0.0020	-0.0032	-0.0037	CNY	4.3928 4.8889
NZD/JPY	95.845	-0.46	-1.30	-2.56	-4.52	DKK	4.1395 4.6074
NZD/EUR	0.5552	-0.0008	-0.0024	-0.0047	-0.0087	FJD	1.3296 1.4797
NZD/GBP	0.4665	-0.0001	-0.0003	-0.0004	-0.0004	HKD	4.7246 5.2578
						KRW	836.11 930.62
AU TWI	64.10					MYR	2.8282 3.1475
AUD/USD	0.6734	0.0006	0.0015	0.0024	0.0026	NOK	6.5265 7.2633
AUD/NZD	1.1128	0.0009	0.0024	0.0037	0.0036	SEK	6.4078 7.1310
AUD/JPY	106.64	-0.42	-1.22	-2.49	-4.65	SGD	0.8133 0.9053
AUD/EUR	0.6177	-0.0004	-0.0013	-0.0032	-0.0074	TWD	19.71 21.94
AUD/GBP	0.5190	0.0003	0.0008	0.0014	0.0017	ZAR	10.91 12.15
USD Index	104.22					EQUITIES	
EUR/USD	1.0900	0.0016	0.0046	0.0095	0.0170		Index
USD/JPY	158.34	-0.76	-2.15	-4.25	-7.47	NZX50	12,184
GBP/USD	1.2974	0.0003	0.0007	0.0011	0.0004	ASX200	7,999
EUR/GBP	0.8399	0.0010	0.0031	0.0065	0.0125	Dow Jones	40,954
INTEREST RATES		New Zealand		Australia		S&P 500	5,667
		Mid		Mid		FTSE100	8,165
30 day bank bills		5.61%		4.36%		DAX 30	18,518
90 day bank bills		5.55%		4.49%		Nikkei	41,275
1 year swap		4.97%		4.35%		COMMODITIES	
2 year swap		4.38%		4.16%			USD
3 year swap		4.11%		4.03%		Brent Crude	83.80
5 year swap		3.97%		4.18%		Gold	2,467.50
10 year swap		4.15%		4.36%		Silver	31.32
3 year Govt bond		4.23%		4.02%		Iron Ore	109.67
5 year Govt bond		4.17%		4.06%		CRB Index	336.21
10 year Govt bond		4.45%		4.35%			NZD
						NZ Carbon	53.85

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