

Market Alert

Thursday 18 July 2024

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6075 | 0.0001 |
| NZD/AUD | 0.9031 | -0.0033 |
| NZD/JPY | 94.885 | -2.53 |
| NZD/EUR | 0.5555 | -0.0048 |
| NZD/GBP | 0.4670 | -0.0004 |
| NZD/CNH | 4.4173 | -0.0559 |
| AUD/USD | 0.6725 | 0.0025 |
| AUD/EUR | 0.6148 | -0.0032 |
| EUR/USD | 1.0935 | 0.0095 |
| USD/CNH | 7.2716 | -0.0921 |
| GBP/USD | 1.3008 | 0.0010 |
| EUR/GBP | 0.8407 | 0.0066 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 5.50% | 4.35% |
| 90 day bills | 5.53% | 4.50% |
| 2 year swap | 4.36% | 4.14% |
| 10 year Govt | 4.46% | 4.34% |

I learnt a very important lesson last night!

Don't try and play football after a couple (or 3) Negronis and a Big Mac meal combo. Chasing 25-year-olds around at 9:00pm is not an enjoyable thing, but hey-ho, at least we won ... just like New South Wales! What an incredible State of Origin game that was! I've seen some tough sportspeople in my life, but those guys take the cake ... not that they would eat it judging by the look of them!

As I've been saying all year, the first 6-months of 2024 will be extremely tough, but the second half of the year will provide green shoots and a sense of optimism, and that's what I got on the journey into the office this morning, with the valleys of Auckland City full of fog, with the most beautiful red/orange sunrise above it.

And speaking of green shoots ...

... yesterday's NZ CPI release provided a sense of that after annual inflation slowed to 3.3% in Q2, from Q1's 4.0% and slightly below market expectation of 3.4%. On the quarter, inflation printed at 0.4%, which was its lowest print since Q2 2020, slightly below expectations at 0.5%, and the RBNZ's forecast at 0.6%. and right on queue, one of the local banks is forecasting 2 rate cuts by year end.

In the UK, annual inflation was steady at 2.0% in June, although forecasters were a touch more optimistic hoping for 1.9% while, in the US, the Atlanta Fed GDPNow growth estimate for Q2 firmed to 2.7% from 2.5%, housing starts rose 3.0% to 1.35m, and industrial production rose 0.6% in June against expectations at 0.3%.

But while the inflation story is a positive in NZ and the UK, there were a couple of Fed speakers providing a degree of caution around the timing of the Fed's cutting cycle. New York Fed chief, John Williams, confirmed we are "getting closer to the disinflationary trend that we're looking for. These are positive signs. I would like to see more data to gain further confidence inflation is moving sustainably to our 2.0% goal." Meanwhile colleague Christopher Waller added, "The exact timing of rate cut doesn't matter a lot. How far we cut rates once we begin is still an open question, as is the timing of the cut." Finally, Tom Barkin added, "No single 25bps cut matters one way or the other. The issue is when to change the narrative. I am sure we'll debate at the July policy meeting whether

it is still appropriate to describe inflation as elevated."

Looking at the markets, there is some good news for JPY exporters because USD/JPY has fallen to the 156.00 handle, which has seen NZD/JPY pull-back below 95.00 while AUD/JPY is at the 105.00 handle, as the falling interest rate differentials starts to impact the JPY. Post the CPI release, the NZD and local interest rates firmed from their recent lows. But it wasn't so good for equity investors after global chip stocks fell sharply with talk the Biden administration is considering powers to clamp down on companies exporting chipmaking equipment to China.

That is 100% true ...

... we can't go a day without mentioning Donald Trump! This morning's words of wisdom from The Don suggested Taiwan should pay the US for defense (protection), he'd allow Jerome Powell to serve out his term if he wins the election, but he also warned the Fed shouldn't cut rates before November ... because, I suspect, he wants to take credit for the rate cut after the election!



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Daily Rates

Thursday 18 July 2024

| FX | Spot | FECs (mid) | | | | Spot Mid | |
|-------------------|--------|-------------|---------|-----------|---------|-------------|---------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... |
| NZ TWI | 71.40 | | | | | CAD | 0.8313 0.9206 |
| NZD/USD | 0.6075 | 0.0000 | 0.0000 | 0.0001 | 0.0001 | CHF | 0.5367 0.5942 |
| NZD/AUD | 0.9031 | -0.0008 | -0.0022 | -0.0033 | -0.0039 | CNY | 4.4094 4.8828 |
| NZD/JPY | 94.885 | -0.45 | -1.32 | -2.53 | -4.53 | DKK | 4.1428 4.5868 |
| NZD/EUR | 0.5555 | -0.0008 | -0.0025 | -0.0048 | -0.0089 | FJD | 1.3335 1.4764 |
| NZD/GBP | 0.4670 | -0.0001 | -0.0003 | -0.0004 | -0.0005 | HKD | 4.7419 5.2501 |
| | | | | | | KRW | 838.30 928.15 |
| AU TWI | 64.00 | | | | | MYR | 2.8305 3.1339 |
| AUD/USD | 0.6725 | 0.0006 | 0.0015 | 0.0025 | 0.0026 | NOK | 6.5179 7.2165 |
| AUD/NZD | 1.1071 | 0.0008 | 0.0024 | 0.0038 | 0.0033 | SEK | 6.4062 7.0928 |
| AUD/JPY | 105.05 | -0.40 | -1.22 | -2.45 | -4.62 | SGD | 0.8140 0.9013 |
| AUD/EUR | 0.6148 | -0.0004 | -0.0013 | -0.0032 | -0.0075 | TWD | 19.78 21.90 |
| AUD/GBP | 0.5169 | 0.0003 | 0.0009 | 0.0014 | 0.0017 | ZAR | 11.05 12.23 |
| USD Index | 103.74 | | | | | EQUITIES | |
| EUR/USD | 1.0935 | 0.0016 | 0.0046 | 0.0095 | 0.0175 | | Index |
| USD/JPY | 156.19 | -0.73 | -2.17 | -4.17 | -7.42 | NZX50 | 12,292 |
| GBP/USD | 1.3008 | 0.0003 | 0.0007 | 0.0010 | 0.0004 | ASX200 | 8,058 |
| EUR/GBP | 0.8407 | 0.0010 | 0.0032 | 0.0066 | 0.0126 | Dow Jones | 41,170 |
| | | | | | | S&P 500 | 5,597 |
| INTEREST | | New Zealand | | Australia | | FTSE100 | 8,187 |
| RATES | | Mid | | Mid | | DAX 30 | 18,437 |
| 30 day bank bills | | 5.60% | | 4.38% | | Nikkei | 41,098 |
| 90 day bank bills | | 5.53% | | 4.50% | | COMMODITIES | |
| 1 year swap | | 4.95% | | 4.35% | | | USD |
| 2 year swap | | 4.40% | | 4.15% | | Brent Crude | 85.08 |
| 3 year swap | | 4.13% | | 4.03% | | Gold | 2,456.99 |
| 5 year swap | | 4.00% | | 4.15% | | Silver | 30.25 |
| 10 year swap | | 4.15% | | 4.36% | | Iron Ore | 109.39 |
| 3 year Govt bond | | 4.26% | | 3.98% | | CRB Index | 336.57 |
| 5 year Govt bond | | 4.20% | | 4.01% | | | NZD |
| 10 year Govt bond | | 4.46% | | 4.30% | | NZ Carbon | 54.75 |

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