

Market Alert

Monday 07 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6159	0.0005
NZD/AUD	0.9045	-0.0002
NZD/JPY	91.595	-2.01
NZD/EUR	0.5613	-0.0040
NZD/GBP	0.4695	0.0006
NZD/CNH	4.3772	-0.0524
AUD/USD	0.6805	0.0005
AUD/EUR	0.6202	-0.0043
EUR/USD	1.0970	0.0083
USD/CNH	7.0955	-0.0901
GBP/USD	1.3116	-0.0010
EUR/GBP	0.8358	0.0069

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.79%	4.46%
2 year swap	3.54%	3.88%
10 year Govt	4.38%	4.15%

Last week had been a bit of a slow one ...

... as the markets awaited Friday night's US non-farm and employment updates
... and man, it was worth the wait!

Non-farm payrolls surged an incredible 254k for the month, while the August numbers were revised 17k higher to 159k. Forecasts had been at 150k and, quite simply, the release was better than virtually anyone estimated. The lesser known 'Survey of Household Employment' was an even stronger picture, showing a gain of 430k workers, while the unemployment rate fell -0.1% to 4.1%, and average hourly earnings increased 0.4% on the month and 4.0% on the year. As far as the 'soft landing' goes, this is the 'Goldilocks' scenario!

The strong releases saw financial markets unwind a full 25bps rate cut from the FOMC's cutting cycle to now be pricing in 3 rate cuts by the 29 January meeting, as opposed to 4 cuts as per Friday's pricing. US treasury yields surged, with the 2-year gapping 21bps higher to 3.93%, while the 10-year firmed 11bps to be at 3.96%. Interestingly, since the Fed cut rates on 18 September, the 10-year treasury yield has actually jumped from around the 3.60% level to be just ahead of the 4.00% level!

The USD had a match lit under it as the index surged 0.75% before it eventually settled on its key support level at 102.68. This saw the greenback have its strongest weekly performance against the JPY since 2009, while the NZD and AUD came under strong selling pressure to close just above their key support levels with the NZD/AUD now at the start of its acquiring zone at 0.9050. The EUR fell below the 1.1000 level against the USD and could have a touch further to fall.

Equity markets liked the report, with most exchanges adding between 0.50%-1.25%, whilst commodity markets were mixed with Middle Eastern concerns adding 1.00% to oil prices as they firmed to 5-week highs.

The best of the rest ...

Following on from the announcement of stimulus measures a couple of weeks ago, overnight the Chinese state broadcaster, CCTV, reported a statement from the

Ministry of Housing and Urban-Rural Development stating that the measures had been successful already and are having success as house sales rose over the holiday period. Could this be the start of the recovery?

The week ahead!

Well, if you're in New Zealand, it's all about Wednesday's RBNZ meeting, although it's only an MPR meeting which means there won't be any Q&A session, just the release of the statement. All of the local economists are now calling for a 50bps cut, but with a certain Mr. Orr at the helm, your guess is as good as mine!

Internationally, despite Friday's non-farms report, the US economy will still take centre stage with this weeks September CPI inflation report and the release of the September FOMC minutes. We also have speeches by several Fed officials, along with producer prices, Michigan consumer sentiment, and the latest trade numbers. It's also the start of the Q3 US reporting season.

From Europe, Germany will report on factory orders, industrial production, foreign trade, and retail sales, while the Euro-zone will also provide their latest retail sales number. The UK authorities will provide their latest GDP growth number and factory activity, Japan will update the Tankan index, while we also have the latest business and consumer confidence reports from Australia.



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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	71.00					CAD	0.8357 0.9222
NZD/USD	0.6159	0.0001	0.0003	0.0005	0.0017	CHF	0.5280 0.5819
NZD/AUD	0.9045	-0.0003	-0.0004	-0.0002	0.0026	CNY	4.3635 4.8050
NZD/JPY	91.595	-0.37	-1.08	-2.01	-3.47	DKK	4.1830 4.6225
NZD/EUR	0.5613	-0.0007	-0.0020	-0.0040	-0.0074	FJD	1.3422 1.4832
NZD/GBP	0.4695	0.0001	0.0003	0.0006	0.0021	HKD	4.7824 5.2849
						KRW	829.12 916.23
AU TWI	62.80					MYR	2.5956 2.8683
AUD/USD	0.6805	0.0003	0.0006	0.0005	-0.0004	NOK	6.5470 7.2349
AUD/NZD	1.1049	0.0003	0.0004	-0.0001	-0.0041	SEK	6.3682 7.0373
AUD/JPY	100.98	-0.41	-1.15	-2.21	-4.12	SGD	0.8034 0.8878
AUD/EUR	0.6202	-0.0006	-0.0019	-0.0043	-0.0101	TWD	19.88 21.97
AUD/GBP	0.5186	0.0003	0.0005	0.0008	0.0007	ZAR	10.76 11.89
USD Index	102.49					EQUITIES	
EUR/USD	1.0970	0.0015	0.0043	0.0083	0.0172		Index
USD/JPY	148.71	-0.62	-1.83	-3.32	-5.98	NZX50	12,620
GBP/USD	1.3116	0.0000	-0.0002	-0.0010	-0.0028	ASX200	8,150
EUR/GBP	0.8358	0.0011	0.0033	0.0069	0.0144	Dow Jones	42,353
USD/CNY	7.0176	-0.0220	-0.0545	-0.0976	-0.1719	S&P 500	5,751
						FTSE100	8,281
INTEREST			New Zealand		Australia	DAX 30	19,121
RATES			Mid		Mid	Nikkei	38,636
30 day bank bills			5.01%		4.35%	COMMODITIES	
90 day bank bills			4.79%		4.46%		USD
1 year swap			4.01%		4.02%	Brent Crude	78.05
2 year swap			3.56%		3.89%	Gold	2,652.25
3 year swap			3.45%		3.80%	Silver	32.17
5 year swap			3.54%		4.00%	Iron Ore	108.84
10 year swap			3.91%		4.26%	CRB Index	346.92
3 year Govt bond			3.70%		3.64%		NZD
5 year Govt bond			3.86%		3.73%	NZ Carbon	63.00
10 year Govt bond			4.38%		4.15%		

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