

Market Alert

Wednesday 09 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6121	0.0006
NZD/AUD	0.9084	-0.0002
NZD/JPY	90.810	-1.98
NZD/EUR	0.5580	-0.0040
NZD/GBP	0.4677	0.0006
NZD/CNH	4.3286	-0.0522
AUD/USD	0.6738	0.0005
AUD/EUR	0.6142	-0.0042
EUR/USD	1.0969	0.0084
USD/CNH	7.0711	-0.0905
GBP/USD	1.3088	-0.0009
EUR/GBP	0.8380	0.0069

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.77%	4.47%
2 year swap	3.67%	3.86%
10 year Govt	4.41%	4.25%

All eyes will be on the RBNZ at 2:00pm this arvo ...

... but apart from that, the minutes from the RBA's September board meeting highlighted, "The Board discussed scenarios for lowering and raising interest rates in the future. Scenarios for lowering, holding, and raising rates are all conceivable given the considerable uncertainty about the economic outlook. Board members felt not enough had changed from previous meetings, and that the current cash rate best balanced risks to inflation and the labour market. Policy will need to remain restrictive until Board members are confident inflation is moving sustainably towards the target range."

We know the RBA and RBNZ are in constant communication, well, they used-to-be before Mr. Orr joined, but if the RBNZ is equally concerned

about the "considerable uncertainty about the economic outlook," does it mean they will only cut 25bps?

Australian business confidence improved from -5 to -2 in September, while the 'own business' outlook firmed from 4 to 7. There was also a positive in that consumer sentiment improved by 6 to 89 ... yes, it is still negative, but it is at a 2.5-year high.

The US trade deficit narrowed to a five-month low falling from USD78.9bn to USD70.4b. Imports declined 0.9% to USD342.2bn while exports rose 2.0% to a record USD271.8bn. US economic optimism continued its 4-month trend higher increasing by 0.8 points to 46.9, while small business optimism increased from 91.2 to 91.5.

St. Louis Fed President, Alberto Musalem, announced, "More rate cuts are likely given the economic outlook. My personal rate outlook is above Fed's median view. The current policy path is still appropriate despite the jobs data." Atlanta colleague, Raphael Bostic then added, "The labour market has slowed down, but is not slowing or weak. Monthly job creation is above what is needed to account for population growth. There's a risk that the economy is too strong and that could hamper policy recalibration," while Adriana Kugler went even further stating, "I will support additional rate cuts if the progress on inflation continues as expected. If downside risks to employment escalate, cutting rates more quickly may be appropriate."

ECB central banker, Joachim Nagel, announced, "Inflation is on the decline, but we must remain vigilant due to high core readings."

Japanese wages grew 3.0% in the year to August, against expectations at 3.1%, but on an inflation adjusted basis, they fell -0.6%. Household spending fell -1.9%.

Last night was all about consolidation ...

... after the high levels of volatility we've seen over the last couple of sessions.

The US treasury auctioned off USD58bn of 3-year notes at a high yield of 3.878%, verse 3.871% prior. There was a 0.7% tail with a 2.44x bid/cover ratio against the 6-month average at 3.57x. Interestingly, while the domestic demand increased by 5%, international purchases dropped by 10%. While there were some positive and negatives from the auction, the on-the-runs were relatively stable with the 2-years -3bps lower at 3.97% while the 10-years was flat at 4.03%.

The USD-index is at an interesting junction with it testing, and holding, above support levels. This implies it could be preparing itself to test its 2-month high, which would appeal to NZD and AUD exporters. So far this month, the NZD has fallen -2.5% against the USD while the AUD has fallen -2.0%.

USD equity markets are closing in positive territory, the European bourses were negative, while the Chinese markets, which reopened after last week's national, saw the Shanghai Shenzhen CSI300 index rally 9.2%. Since China announced its economic stimulus bazooka 3-weeks ago, their stock market has now surged 35%!



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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	70.50					CAD	0.8357 0.9202
NZD/USD	0.6121	0.0001	0.0003	0.0006	0.0016	CHF	0.5251 0.5782
NZD/AUD	0.9084	-0.0003	-0.0005	-0.0002	0.0023	CNY	4.3223 4.7587
NZD/JPY	90.810	-0.39	-1.11	-1.98	-3.45	DKK	4.1607 4.5808
NZD/EUR	0.5580	-0.0007	-0.0020	-0.0040	-0.0074	FJD	1.3386 1.4738
NZD/GBP	0.4677	0.0001	0.0003	0.0006	0.0020	HKD	4.7583 5.2388
						KRW	824.53 907.79
AU TWI	62.20					MYR	2.6224 2.8872
AUD/USD	0.6738	0.0003	0.0007	0.0005	-0.0001	NOK	6.5587 7.2210
AUD/NZD	1.1007	0.0003	0.0003	-0.0004	-0.0031	SEK	6.3371 6.9770
AUD/JPY	99.96	-0.40	-1.17	-2.17	-4.05	SGD	0.7986 0.8792
AUD/EUR	0.6142	-0.0006	-0.0019	-0.0042	-0.0097	TWD	19.72 21.72
AUD/GBP	0.5147	0.0003	0.0005	0.0007	0.0008	ZAR	10.77 11.86
USD Index	102.54					EQUITIES	
EUR/USD	1.0969	0.0015	0.0044	0.0084	0.0173		Index
USD/JPY	148.35	-0.66	-1.88	-3.36	-6.01	NZX50	12,556
GBP/USD	1.3088	0.0000	-0.0002	-0.0009	-0.0026	ASX200	8,177
EUR/GBP	0.8380	0.0012	0.0033	0.0069	0.0146	Dow Jones	42,609
USD/CNY	7.0595	-0.0209	-0.0549	-0.1036	-0.1894	S&P 500	5,739
						FTSE100	8,191
INTEREST			New Zealand		Australia	DAX 30	19,066
RATES			Mid		Mid	Nikkei	38,938
30 day bank bills			4.96%		4.35%	COMMODITIES	
90 day bank bills			4.77%		4.47%		USD
1 year swap			4.11%		4.13%	Brent Crude	77.26
2 year swap			3.69%		3.87%	Gold	2,615.83
3 year swap			3.58%		3.79%	Silver	30.44
5 year swap			3.65%		4.00%	Iron Ore	112.39
10 year swap			4.00%		4.27%	CRB Index	349.34
3 year Govt bond			3.78%		3.80%		NZD
5 year Govt bond			3.93%		3.89%	NZ Carbon	62.65
10 year Govt bond			4.41%		4.27%		

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