

Market Alert

Friday 11 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6086	0.0009
NZD/AUD	0.9041	0.0005
NZD/JPY	90.475	-1.91
NZD/EUR	0.5571	-0.0035
NZD/GBP	0.4663	0.0009
NZD/CNH	4.3078	-0.0456
AUD/USD	0.6730	0.0007
AUD/EUR	0.6159	-0.0043
EUR/USD	1.0925	0.0087
USD/CNH	7.0848	-0.0862
GBP/USD	1.3047	-0.0008
EUR/GBP	0.8369	0.0069

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.65%	4.47%
2 year swap	3.66%	3.86%
10 year Govt	4.47%	4.31%

Whose fault is it?

If someone get up early and puts a pot on the stove, and then goes to another room ... and if someone gets up later, smells a funny smell, but goes to have a shower thinking they'll investigate later ... who's fault is it that the pot caught fire? At the end of the day, I guess it doesn't really matter, but I hope the house won't smell like someone set fire to my wet socks sometime soon!

A few hiccups in the data releases!

While the recent US releases have strongly outperformed expectations, last night's releases were a touch weaker ... not enough to change anyone's projections but enough to highlight the US soft landing isn't a gimmie!

Annual US CPI inflation slowed from 2.5% to 2.4% in September, which was its lowest level since February 2021, although it was firmer than the expected 2.3%. Against this, the core remained 'sticky' firming from 3.2% to 3.3%. On a monthly basis, the headline was flat at 0.2%, as was the core at 0.3%. Initial claims increased by 33k to reach 258k, which was ahead of forecasts at 230k, while continuing claims firmed from 1,826k to 1,861k.

We also had a few Fed speakers with Mary Daly announcing she, "Fully supported the half-point rate cut. The size of the September rate cut does not say anything about pace or size of the next cuts. One or two more cut this year is likely. I am not worried about accelerating inflation, I am more worried about the labour market." John Williams confirmed he, "Expects the economy will allow the Fed to cut rates further. The pace and the size of future cuts will be determined by the data," Austin Goolsbee stated, "Overall trend is clearly that inflation has come down (although) future meetings will be closer," Thomas Barkin added, "Inflation is headed in the right direction," while Raphael Bostic implied the door is open to skipping a rate cut in November.

The minutes from the ECB's September meeting highlighted a central bank that is increasingly concerned about disappointing growth, but still very reluctant to give the all-clear on inflation. Inflation is expected to remain volatile throughout 2024, with relatively high

core inflation persisting. However, the Board is confident inflation will return to target by the end of 2025.

German retail sales increased 1.6% in August, following on from July's 1.5% gain with online purchases surging 8.9% while food purchases increased 1.9%.

"The books are not in great shape," Finance Minister, Nicola Willis, announced yesterday, and she isn't wrong, the New Zealand budget deficit widened to NZD12.85bn in the year to 30-June as high inflation increased the cost of government services and welfare support. It is significantly higher than the NZD11.07bn projected in the May budget, and higher than 2023's NZD9.45bn deficit. The government is targeting a return to surplus in 2028, targeting net core crown debt below 40% of GDP from June's 42.5%.

Japanese factory inflation, or PPIs, were flat at 0.0% on the month, and at 2.8% on the year.

Despite all of those releases ... markets haven't really moved!

US treasuries yields were mixed with the 2-years easing -3bps to 4.00%, while the 10-years firmed 3bps to 4.10%. The USD-index is a touch higher, as is the NZD, AUD and JPY, although the EUR eased back a touch. The reaction to the data was more predictable with most trading -0.3% to -0.5% lower, although commodity markets cemented in modest gains with oil prices 3.5% higher.



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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	70.00					CAD	0.8366 0.9255
NZD/USD	0.6086	0.0001	0.0004	0.0009	0.0020	CHF	0.5211 0.5766
NZD/AUD	0.9041	-0.0003	-0.0003	0.0005	0.0030	CNY	4.3055 4.7627
NZD/JPY	90.475	-0.36	-1.06	-1.91	-3.35	DKK	4.1544 4.5956
NZD/EUR	0.5571	-0.0006	-0.0019	-0.0035	-0.0068	FJD	1.3330 1.4746
NZD/GBP	0.4663	0.0001	0.0004	0.0009	0.0024	HKD	4.7275 5.2294
						KRW	822.74 910.10
AU TWI	62.40					MYR	2.6088 2.8858
AUD/USD	0.6730	0.0003	0.0007	0.0007	0.0001	NOK	6.5351 7.2290
AUD/NZD	1.1060	0.0002	0.0000	-0.0008	-0.0043	SEK	6.3286 7.0005
AUD/JPY	100.09	-0.37	-1.15	-2.17	-4.05	SGD	0.7952 0.8797
AUD/EUR	0.6159	-0.0006	-0.0019	-0.0043	-0.0099	TWD	19.63 21.71
AUD/GBP	0.5155	0.0002	0.0005	0.0007	0.0007	ZAR	10.66 11.80
USD Index	102.99					EQUITIES	
EUR/USD	1.0925	0.0015	0.0044	0.0087	0.0177		Index
USD/JPY	148.66	-0.62	-1.85	-3.37	-6.04	NZX50	12,755
GBP/USD	1.3047	0.0000	-0.0001	-0.0008	-0.0021	ASX200	8,223
EUR/GBP	0.8369	0.0011	0.0034	0.0069	0.0146	Dow Jones	42,360
USD/CNY	7.079	-0.0184	-0.0527	-0.1002	-0.1874	S&P 500	5,775
						FTSE100	8,238
INTEREST			New Zealand		Australia	DAX 30	19,211
RATES			Mid		Mid	Nikkei	39,381
30 day bank bills			4.88%		4.36%	COMMODITIES	
90 day bank bills			4.65%		4.47%		USD
1 year swap			3.99%		4.14%	Brent Crude	79.40
2 year swap			3.67%		3.88%	Gold	2,627.75
3 year swap			3.60%		3.81%	Silver	31.09
5 year swap			3.69%		4.02%	Iron Ore	106.53
10 year swap			4.03%		4.31%	CRB Index	340.59
3 year Govt bond			3.84%		3.82%		NZD
5 year Govt bond			3.99%		3.91%	NZ Carbon	62.65
10 year Govt bond			4.47%		4.31%		

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