

Market Alert

Thursday 14 November 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5887	0.0012
NZD/AUD	0.9070	0.0015
NZD/JPY	91.600	-1.78
NZD/EUR	0.5573	-0.0038
NZD/GBP	0.4631	0.0014
NZD/CNH	4.2650	-0.0296
AUD/USD	0.6490	0.0001
AUD/EUR	0.6144	-0.0052
EUR/USD	1.0563	0.0092
USD/CNH	7.2454	-0.0655
GBP/USD	1.2711	-0.0012
EUR/GBP	0.8310	0.0080

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.47%	4.46%
2 year swap	3.89%	4.13%
10 year Govt	4.77%	4.77%

Another day, another fifty points on the USD

The annual inflation rate in the US accelerated to 2.6% in October, up from 2.4% in September, in line with market expectations but marking the first increase in headline inflation in seven months. Core inflation held at 0.3% for the month, unchanged from September. The report won't bother the Fed too much, although rental inflation has been refusing to fall.

Separately, hawkish comments from a few Fed officials sent the US 10-year Treasury yield higher, up 2bps to around 4.45%. Lorie Logan, Dallas Fed President, said "Models show that the fed funds rate could be very close to the neutral rate" and "The Fed is not quite back to price stability yet". Alberto Musalem, St. Louis Fed President, continued in this vein, saying

"Recent information suggest inflation risk now higher" and "monetary policy is well positioned, the fed can judiciously and patiently judge incoming data to decide on further rate cuts". Finally, Jeffery Schmid, Kansas Fed President, finished the hawkish talk (for now at least) with, "While now is the time to begin dialling back the restrictiveness of monetary policy, it remains to be seen how much further interest rates will decline or where they might eventually settle."

All the inflationary talk sent the USD higher, continuing the path it has been on since the US election. The US Dollar Index is up another 50 points, sitting at 106.53 this morning. This in turn flowed its way through to the antipodean currencies, with the NZD/USD and AUD/USD breaking below support and sitting at 0.5885 and 0.6487 respectively, both shedding over 40 points since yesterday. But it was the EUR/USD that really got hammered, falling over 60 points to sit at 1.0560, and looking like some day it could go to parity! This is a huge move from the 1.1200 level seen at the end of September.

To more local affairs

NZ Tourist arrivals went up by 0.9% in the September year to 226,889. The largest increases were seen in arrivals from Australia (up 4,100), China (up 1,500), and the United States (up 1,000). Interestingly, these levels are still below the arrivals we had in September 2019, before the pandemic, with only India consistently exceeding pre-pandemic

tourist numbers in most months over the past year but at this point any positive news is more than welcome by the local tourism industry.

NZ migration continues to slow, with the annual net migration number falling from 52k to 45k, its lowest level since January 2023. It was the same prevailing trend over the previous months, with departures again at a record high, while arrivals continue to slow. The risks are migration continues to slow into 2025, which could impact both housing and retail demand. Stats NZ estimates that half of the New Zealand citizen departures over the past year went to Australia.

Greener on the other side?

Australia's wage price index remained unchanged in the September quarter at 0.8%, which was below market expectations and helped the annual number fall from 4.1% to 3.5%. Wage inflation in Australia (much like in New Zealand) has been a driver of sticky inflation. However, yesterday's moderation wasn't enough to move the needle markedly. Market pricing has an interest rate cut fully priced in by the RBA by July 2025, up slightly from ~96% yesterday. Today we will get a further update on the Australian labour market, which has been running very strongly recently, surpassing expectations massively in its last four prints. Expectations are for a 25k increase in employment, with the unemployment rate to stay at 4.1%.



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Daily Rates

Thursday 14 November 2024

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.90					CAD	0.8232 0.9074
NZD/USD	0.5887	0.0002	0.0005	0.0012	0.0024	CHF	0.5213 0.5748
NZD/AUD	0.9070	0.0000	0.0003	0.0015	0.0044	CNY	4.2562 4.6922
NZD/JPY	91.600	-0.33	-1.02	-1.78	-3.30	DKK	4.1553 4.5817
NZD/EUR	0.5573	-0.0005	-0.0018	-0.0038	-0.0084	FJD	1.3168 1.4519
NZD/GBP	0.4631	0.0002	0.0006	0.0014	0.0030	HKD	4.5801 5.0501
						KRW	827.56 912.48
AU TWI	61.90					MYR	2.6169 2.8855
AUD/USD	0.6490	0.0002	0.0003	0.0001	-0.0006	NOK	6.5532 7.2256
AUD/NZD	1.1023	-0.0001	-0.0005	-0.0022	-0.0067	SEK	6.4639 7.1273
AUD/JPY	100.95	-0.37	-1.16	-2.15	-4.14	SGD	0.7904 0.8715
AUD/EUR	0.6144	-0.0006	-0.0023	-0.0052	-0.0124	TWD	19.10 21.06
AUD/GBP	0.5105	0.0001	0.0004	0.0006	0.0006	ZAR	10.74 11.84
USD Index	106.52					EQUITIES	
EUR/USD	1.0563	0.0013	0.0043	0.0092	0.0207		Index
USD/JPY	155.59	-0.61	-1.87	-3.36	-6.30	NZX50	12,674
GBP/USD	1.2711	-0.0001	-0.0005	-0.0012	-0.0027	ASX200	8,193
EUR/GBP	0.8310	0.0010	0.0037	0.0080	0.0178	Dow Jones	44,042
USD/CNY	7.2245	-0.0169	-0.0543	-0.1099	-0.2250	S&P 500	6,007
						FTSE100	8,030
						DAX 30	19,003
						Nikkei	38,722
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		4.61%		4.36%		Brent Crude	72.47
90 day bank bills		4.47%		4.46%		Gold	2,581.83
1 year swap		4.05%		4.30%		Silver	30.55
2 year swap		3.93%		4.15%		Iron Ore	102.96
3 year swap		3.91%		4.14%		CRB Index	333.97
5 year swap		4.01%		4.38%			NZD
10 year swap		4.34%		4.66%		NZ Carbon	63.90
3 year Govt bond		4.16%		4.26%			
5 year Govt bond		4.34%		4.39%			
10 year Govt bond		4.77%		4.77%			

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