

Market Alert

Thursday 18 January 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6097	-0.0002
NZD/AUD	0.9331	-0.0048
NZD/JPY	90.46	-2.50
NZD/EUR	0.5615	-0.0044
NZD/GBP	0.4812	-0.0005
NZD/CNH	4.4056	-0.0577
AUD/USD	0.6535	0.0030
AUD/EUR	0.6016	-0.0017
EUR/USD	1.0858	0.0079
USD/CNH	7.2246	-0.0913
GBP/USD	1.2665	0.0005
EUR/GBP	0.8570	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	4.68%	4.10%
10 year Govt	4.68%	4.29%

Global equity markets spent the overnight session in retreat ...

... as traders continued to readjust their interest rate projects as the overnight releases and central bank rhetoric dampened their optimistic cutting projections.

US retail sales outperformed expectations jumping 0.6% in December to record its biggest jump in 3 months following November's modest 0.3% gain. Industrial production also topped forecasts printing at 0.1% against forecasts at 0.0% while the NAHB/Wells Fargo housing market index rose to 44 in January from the prior months 37. Finally, the Atlanta Fed GDPNow estimate for Q4 growth increased to 2.4% from 2.2% strengthening the view that the Fed will not cut interest rates as early as initially projected.

EU and UK interest rate hopes also took a 'kicking' after ECB President, Christine Lagarde, announced, "Short of another major shock we have reached a peak (in interest rates) but we have to stay restrictive for as long as necessary. The risk would be we cut too fast and then have to come back and do more (rate increases). We are on the right path towards 2.0% but unless, and until, we are confident that it is sustainably at 2.0% in the medium term, and we have the data to support it, I am not going to declare victory. We are data dependent, and that there is still a level of uncertainty and some indicators that are not anchored at the level where we would like to see them." Meanwhile, UK inflation unexpectedly pick-up after headline CPI rose to 4.0% against an anticipated 3.8%, with services inflation the key driver after it nudged up to 6.4% from 6.3% a month earlier.

Ultimately, this 're-adjustment' to the overly optimistic cutting saw renewed bond selling and buying of the USD-index. This saw the 2-year treasury yield surge 14bp to 4.37%, while the 10-years firmed 5bp to 4.12%, which will no doubt see NZ and AU swap rates higher this morning. The USD-index recovery continued which saw the NZD/USD drop below the 0.6100 level while AUD/USD is at 0.6535. Commodity prices also followed equity markets and we saw a 'sea of red'.

So much for the Chinese recovery!

Yesterday's Chinese releases hinted at possible further support measures from the PBoC after Q4 GDP printed at 1.0% to reach 5.2% for the year,

which was slightly behind estimates at 5.3%. This was China's slowest pace of annual growth since the 1990's when the country was facing international sanctions in response to the Tiananmen Square massacre. The retail sales release was also disappointing, dropping to 7.4% on the year, which was below forecasts at 8.0%, while new home prices continued to fall dropping a further -0.5% in December, although there was small positive after industrial production increased 6.8% from a year earlier, beating out forecasts at 6.6%.

In a further warning, China's National Bureau of Statistics also released their latest numbers. Interestingly, they resumed reporting on their youth unemployment rate, which they had abruptly stopped reporting on in July in order to 'recalibrate the methodology'. When last reported, the youth unemployment rate was at a record 21.3% although yesterday's print saw this number tumble to 'just' 14.9%! The bureau also announced that China's population had shrunk by 2.8 million people in 2023 from 2022 due to a record low birth rate and Covid.

Shop till you not?

NZ electronic retail card spending dropped -0.6% on the month and -2.0% in the year to December from the prior months 0.8% and 1.6% ... I guess it means most people did their Christmas shopping in the Black Friday and Cyber Monday sales! Finally, congratulations to Finn Allen ... what a knock!



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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	71.70					CAD	0.8250	0.8844
NZD/USD	0.6099	0.0000	0.0000	-0.0002	-0.0013	CHF	0.5280	0.5661
NZD/AUD	0.9333	-0.0010	-0.0027	-0.0048	-0.0082	CNY	4.3882	4.7027
NZD/JPY	90.48	-0.44	-1.27	-2.50	-4.79	DKK	4.1864	4.4871
NZD/EUR	0.5616	-0.0007	-0.0021	-0.0044	-0.0099	FJD	1.3474	1.4442
NZD/GBP	0.4814	-0.0001	-0.0002	-0.0005	-0.0013	HKD	4.7684	5.1110
						KRW	821.73	880.76
AU TWI	61.40					MYR	2.8747	3.0813
AUD/USD	0.6535	0.0007	0.0018	0.0030	0.0035	NOK	6.4236	6.8846
AUD/NZD	1.0714	0.0010	0.0028	0.0050	0.0063	SEK	6.3863	6.8451
AUD/JPY	96.95	-0.38	-1.10	-2.21	-4.55	SGD	0.8204	0.8793
AUD/EUR	0.6016	-0.0002	-0.0006	-0.0017	-0.0068	TWD	19.27	20.65
AUD/GBP	0.5157	0.0004	0.0012	0.0021	0.0017	ZAR	11.63	12.47
USD Index	103.57					EQUITIES		
EUR/USD	1.0858	0.0014	0.0039	0.0079	0.0165		Index	
USD/JPY	148.34	-0.73	-2.09	-4.04	-7.53	NZX50	11,767	
GBP/USD	1.2665	0.0002	0.0006	0.0005	-0.0002	ASX200	7,393	
EUR/GBP	0.8570	0.0009	0.0026	0.0057	0.0124	Dow Jones	37,163	
						S&P 500	4,723	
INTEREST RATES			New Zealand		Australia	FTSE100	7,446	
			Mid		Mid	DAX 30	16,432	
30 day bank bills			5.58%		4.36%	Nikkei	35,478	
90 day bank bills			5.64%		4.40%	COMMODITIES		
1 year swap			5.30%		4.28%		USD	
2 year swap			4.70%		4.11%	Brent Crude	77.56	
3 year swap			4.42%		4.06%	Gold	2,002.99	
5 year swap			4.26%		4.27%	Silver	22.53	
10 year swap			4.40%		4.54%	Iron Ore	136.75	
3 year Govt bond			4.50%		3.81%	CRB Index	302.74	
5 year Govt bond			4.39%		3.89%		NZD	
10 year Govt bond			4.68%		4.29%	NZ Carbon	67.60	

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