

Market Alert

Thursday 08 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6107	-0.0006
NZD/AUD	0.9365	-0.0055
NZD/JPY	90.45	-2.56
NZD/EUR	0.5668	-0.0049
NZD/GBP	0.4836	-0.0009
NZD/CNH	4.4040	-0.0597
AUD/USD	0.6519	0.0031
AUD/EUR	0.6050	-0.0018
EUR/USD	1.0771	0.0080
USD/CNH	7.2128	-0.0907
GBP/USD	1.2628	0.0005
EUR/GBP	0.8529	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.72%	4.40%
2 year swap	4.98%	3.97%
10 year Govt	4.81%	4.19%

Like a broken record....

A slew of announcements overnight from Fed Members and the Bank of Canada, continued to push the same rhetoric, that central banks will remain patient and will need to see more favourable inflation data before they are confident enough to start cutting interest rates, and when they eventually do start cutting, the cuts will be less than what the market currently expects. Confidence of a soft landing in the U.S. seems to be growing, with Richmond Fed President, Thomas Barking, stating "That drumbeat you hear is the soft landing."

Market pricing of Fed cuts continues to slip, with the first cut now not fully priced until June.

The NZD/USD lifted to 0.6120 briefly overnight and starts today near 0.6100, a familiar level over the last month.

Jobs market still tight

NZ's unemployment rate rose to 4.0% for Q4 of 2023, up from 3.9% in Q3. This was better than economist expectations of 4.3%. The unemployment rate is now back at pre-pandemic levels, following the lows from limited labour supply and high demand due to border restrictions.

Employment change also performed better than expected, rising in Q4 to 0.4% against forecasts of 0.3% and last quarter's decrease of -0.2%. The participation rate was down slightly, at 71.9% for Q4, narrowly missing both the forecast and Q3's level of 72.0%.

The underutilisation rate increased to 10.7% in Q4, up from Q3's 10.4%. The number of underutilised workers was up by 12,000 for the quarter and up 52,000 for the year, with underemployment cited as the main driver behind the increase in underutilisation. 8,000 more workers were underemployed in Q4 compared to Q3. The working age population had its largest recorded increase, rising by 3.0%, or 124,000, to 4.3 million. This was attributed mostly due to the increase in net migration.

The stronger than expected data gave the NZD a lift and underlined the RBNZ's recent messaging that there is further work to do in getting inflation down. It seems every central bank is talking from the same hymn sheet on this.

Wages up

New Zealand's labour cost index (LCI) was up 1.0% for Q4 and up 3.9% annually against forecasts of 0.8% and 3.8%, respectively.

Average hourly earnings were up 6.9% annually in Q4. Public sector ordinary-time hourly earnings were up 7.4%, the largest increase since Q1 of 2006. All public sector salary and wage rates, including overtime, were up 5.7% annually. According to Stats NZ, "Recent growth in public sector earnings follows a period of pay restraint between April 2020 and March 2023 as a response to the impact of COVID 19." Within the education and training industry, average total hourly earnings rose 14.2% annually. Health care and social assistance earnings rose 10.1%. "Together, the education and health industries account for over half of all public sector employees. Both industries had pay agreements that came into effect late in the year," Chapman stated.

Private earnings were up by 6.6% annually, continuing the downtrend since the high of 8.6% in Q3 of 2022.



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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	71.40					CAD	0.8226	0.8783
NZD/USD	0.6108	0.0000	-0.0001	-0.0006	-0.0023	CHF	0.5340	0.5701
NZD/AUD	0.9367	-0.0009	-0.0027	-0.0055	-0.0097	CNY	4.3921	4.6906
NZD/JPY	90.47	-0.44	-1.27	-2.56	-4.89	DKK	4.2271	4.5125
NZD/EUR	0.5669	-0.0007	-0.0022	-0.0049	-0.0112	FJD	1.3508	1.4419
NZD/GBP	0.4837	-0.0001	-0.0003	-0.0009	-0.0021	HKD	4.7749	5.0971
						KRW	810.75	865.45
AU TWI	61.00					MYR	2.9063	3.1024
AUD/USD	0.6519	0.0006	0.0018	0.0031	0.0042	NOK	6.4619	6.8978
AUD/NZD	1.0675	0.0010	0.0029	0.0056	0.0100	SEK	6.3981	6.8298
AUD/JPY	96.57	-0.37	-1.08	-2.18	-4.29	SGD	0.8203	0.8755
AUD/EUR	0.6050	-0.0002	-0.0007	-0.0018	-0.0058	TWD	19.15	20.44
AUD/GBP	0.5162	0.0004	0.0011	0.0021	0.0031	ZAR	11.53	12.31
USD Index	104.08					EQUITIES		
EUR/USD	1.0771	0.0013	0.0040	0.0080	0.0173		Index	
USD/JPY	148.14	-0.72	-2.06	-4.04	-7.49	NZX50	11,952	
GBP/USD	1.2628	0.0002	0.0006	0.0005	0.0003	ASX200	7,616	
EUR/GBP	0.8529	0.0009	0.0026	0.0057	0.0131	Dow Jones	38,712	
						S&P 500	4,996	
INTEREST RATES			New Zealand		Australia	FTSE100	7,629	
			Mid		Mid	DAX 30	16,922	
30 day bank bills			5.60%		4.35%	Nikkei	36,120	
90 day bank bills			5.68%		4.40%	COMMODITIES		
1 year swap			5.50%		4.20%		USD	
2 year swap			5.00%		3.99%	Brent Crude	78.94	
3 year swap			4.68%		3.88%	Gold	2,034.79	
5 year swap			4.46%		4.08%	Silver	22.23	
10 year swap			4.53%		4.39%	Iron Ore	127.39	
3 year Govt bond			4.78%		3.69%	CRB Index	309.13	
5 year Govt bond			4.64%		3.77%		NZD	
10 year Govt bond			4.81%		4.18%	NZ Carbon	72.70	

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