

Market Alert

Thursday 15 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6086	-0.0007
NZD/AUD	0.9376	-0.0058
NZD/JPY	91.57	-2.62
NZD/EUR	0.5672	-0.0051
NZD/GBP	0.4843	-0.0010
NZD/CNH	4.3962	-0.0585
AUD/USD	0.6490	0.0032
AUD/EUR	0.6048	-0.0018
EUR/USD	1.0727	0.0083
USD/CNH	7.2234	-0.0873
GBP/USD	1.2562	0.0009
EUR/GBP	0.8539	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.77%	4.40%
2 year swap	5.21%	4.09%
10 year Govt	5.00%	4.35%

US producer prices fall more than anticipated

Producer prices fell -0.2% in December from the previous month, against initial estimates of a -0.1% drop. Markets showed little reaction to this release, certainly compared to yesterday's hotter-than-expected CPI release which saw US equities abruptly fall from their record levels.

Former Boston Fed President, Eric Rosengreen, said about the situation, "Markets overreacted to the CPI report. While above analysts expectation, monetary policy is not set to analyst expectations. Nothing in the report indicates anything other than a continued trend towards lower inflation." Following this, the markets seemed to agree as they retraced some of their sharp moves, with the 10-year

yield easing back 5.5 bps overnight. The US dollar seemed reluctant to follow, with the NZD/USD starting today near the 0.6080 level, up marginally over the past 24 hours.

Another important CPI release hit the headlines overnight, with better news for local traders than their mid-Atlantic counterparts. UK inflation remained unchanged at 4.0% in January, beating market forecasts of 4.2%. Even though this still remains at double the BoE's 2.0% target, the data reinforced expectations that the central bank will join the interest rate cutting brigade in the second half of this year.

Fighting the good fight

Yesterday's selected price indexes showed some positive signs of getting New Zealand's inflation further under control. Food prices increased 4.0% on the year, its lowest level since November 2021. Notably fruit and vegetables saw a -1.2% decrease on the year, which is good for all of us. The selected price indexes may also give you that extra bit of motivation to travel abroad, as international plane tickets were down -21.6% for the month of January and -31.5% for the year. However, our current inflation boogey man, non-tradables saw another increase, with both measures of rental prices being up.

Our OCR track may be clearer after tomorrow's speech by RBNZ Governor, Adrian Orr, at the New Zealand Economics Forum, about the changing

drivers of inflation, and the shift from transitory to more stubborn underlying inflation. Mr Orr is likely to hold his cards close to his chest and not offer too many hints as to what the decision on monetary policy will be on the 28th of February. One bank has come a little out of left field forecasting two 25 bp hikes (February and April), on the back of employment data that has surprised to the upside since the last RBNZ meeting in November. However, most forecasters are sticking to their guns and are predicting cuts to come by mid-to-late this year, which seems to be a more sensible approach. Nonetheless the forthcoming battle with sticky non-tradable inflation is sure to be a tough one.



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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	71.30					CAD	0.8246	0.8794
NZD/USD	0.6087	0.0000	-0.0001	-0.0007	-0.0027	CHF	0.5389	0.5747
NZD/AUD	0.9378	-0.0010	-0.0028	-0.0058	-0.0112	CNY	4.3747	4.6617
NZD/JPY	91.58	-0.44	-1.29	-2.62	-5.11	DKK	4.2282	4.5089
NZD/EUR	0.5673	-0.0007	-0.0023	-0.0051	-0.0121	FJD	1.3497	1.4393
NZD/GBP	0.4845	-0.0001	-0.0004	-0.0010	-0.0029	HKD	4.7582	5.0741
						KRW	810.03	863.81
AU TWI	60.70					MYR	2.9109	3.1042
AUD/USD	0.6490	0.0006	0.0017	0.0032	0.0047	NOK	6.4428	6.8705
AUD/NZD	1.0661	0.0010	0.0030	0.0063	0.0118	SEK	6.4044	6.8295
AUD/JPY	97.66	-0.38	-1.10	-2.22	-4.48	SGD	0.8204	0.8749
AUD/EUR	0.6048	-0.0002	-0.0007	-0.0018	-0.0067	TWD	19.12	20.38
AUD/GBP	0.5165	0.0004	0.0011	0.0020	0.0023	ZAR	11.59	12.36
USD Index	104.72					EQUITIES		
EUR/USD	1.0727	0.0013	0.0040	0.0083	0.0180		Index	
USD/JPY	150.48	-0.72	-2.09	-4.11	-7.77	NZX50	11,661	
GBP/USD	1.2562	0.0002	0.0006	0.0009	0.0016	ASX200	7,548	
EUR/GBP	0.8539	0.0009	0.0027	0.0057	0.0128	Dow Jones	38,297	
						S&P 500	4,967	
INTEREST RATES			New Zealand		Australia	FTSE100	7,568	
			Mid		Mid	DAX 30	16,945	
30 day bank bills			5.63%		4.35%	Nikkei	37,703	
90 day bank bills			5.73%		4.40%	COMMODITIES		
1 year swap			5.70%		4.26%		USD	
2 year swap			5.22%		4.10%	Brent Crude	82.07	
3 year swap			4.93%		4.00%	Gold	1,991.02	
5 year swap			4.73%		4.21%	Silver	22.35	
10 year swap			4.76%		4.48%	Iron Ore	129.02	
3 year Govt bond			5.02%		3.91%	CRB Index	314.04	
5 year Govt bond			4.86%		3.99%		NZD	
10 year Govt bond			5.00%		4.36%	NZ Carbon	71.45	

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