

Market Alert

Wednesday 20 March 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6049	-0.0002
NZD/AUD	0.9283	-0.0051
NZD/JPY	91.29	-2.54
NZD/EUR	0.5569	-0.0045
NZD/GBP	0.4753	-0.0007
NZD/CNH	4.3882	-0.0603
AUD/USD	0.6529	0.0033
AUD/EUR	0.6009	-0.0018
EUR/USD	1.0861	0.0084
USD/CNH	7.2128	-0.0975
GBP/USD	1.2720	0.0011
EUR/GBP	0.8536	0.0055

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	4.90%	3.97%
10 year Govt	4.69%	4.17%

A dovish hike?

Could 'one-and-done' be the BoJ's new mantra?

Well, that's the markets take after yesterday's historic BoJ rate hike. In a hotly anticipated central bank meeting, the BoJ decided to hike rates for the first time in 17 years, with a 7-2 vote to lift its short-term policy rate from -0.10% to a 0.00%-0.10% range. The Board also voted to end its Yield Curve Control programme, although it will "continue its Japanese Government Bond purchases with broadly the same amount as before," to prevent a rapid rise in yields. The BoJ Board also voted to end all purchases of ETFs and J-REITs, and to gradually reduce corporate bond purchases over the next 12-months.

But while the BoJ has been proactive, and quite possibly more adventurous than its predecessors, the fact there was no inference to future rate hikes saw financial markets conclude the BoJ will be on hold for the foreseeable future. This saw, somewhat surprisingly, JPY selling following the rate hike. Yes, you read that correctly, after taking interest rates into positive territory for the first time since they went negative in February 2016, the JPY was sold, which saw USD/JPY firming 0.5% to 149.75, while the NZD/JPY and AUD/JPY flatlined.

Much less exciting was the RBA's decision to holding its cash rate at 4.35%, but the reaction was just as impactful, after the removal of the wording that a further hike, "cannot be ruled out," with the addition that "The path of interest rates that will best ensure that inflation returns to target in a reasonable timeframe remains uncertain and the Board is not ruling anything in or out," which gave the perception of a dovish outlook from the RBA, which immediately saw the AUD sold and dragged the NZD lower with it.

Enough about central banks!

The US Treasury sold USD13b of 20-year bonds at auction at a yield of 4.54%, while housing starts soared 10.7% in February, after falling 12.3% in January. North of the border, Canadian inflation slowed further to 2.8% in February, from January's 2.9%, bringing the Canadian dollar to a 4-month low against the US dollar.

German economic sentiment rose for the eighth month in a row to hit a 2 year high at +31.7, smashing expectations of a +20.5 reading. Economic expectations for the EU's economic and political heart have been improving significantly recently, driven by investor anticipation of rate cuts by the ECB. In addition, German exporters feel reassured by heightened economic expectations for China. Elsewhere in Europe, labour costs increased by 3.4% from a year earlier in the fourth quarter of 2023. This marks a rather swift downturn in wage rises, which were up 5.2% the previous quarter.

Distressed Chinese real estate group, Evergrande will receive a warning and a fine of CNY4.18b for issuing false information in its 2019 and 2020 annual reports and for its failure to disclose required information in a timely manner.

As far as commodities go, oil hit a 20-week high following Ukraine's drone attacks on Russian infrastructure, in particular refineries, which have taken a significant toll on the nation's oil processing capability, decreasing it by as much as 10%. While last night's GDT auction saw the index fall by 2.8%, as all products other than Anhydrous Milk Fat saw decreases in their price. Notably, WMP & SMP were down by 4.2% and 4.8% respectively.



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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	71.10					CAD	0.8207 0.8859
NZD/USD	0.6051	0.0000	0.0000	-0.0002	-0.0007	CHF	0.5372 0.5800
NZD/AUD	0.9286	-0.0009	-0.0025	-0.0051	-0.0092	CNY	4.3547 4.7010
NZD/JPY	91.31	-0.44	-1.30	-2.54	-4.81	DKK	4.1520 4.4815
NZD/EUR	0.5570	-0.0007	-0.0021	-0.0045	-0.0098	FJD	1.3551 1.4626
NZD/GBP	0.4756	-0.0001	-0.0003	-0.0007	-0.0017	HKD	4.7320 5.1074
						KRW	809.20 873.42
AU TWI	61.20					MYR	2.8612 3.0882
AUD/USD	0.6529	0.0006	0.0017	0.0033	0.0055	NOK	6.4433 6.9546
AUD/NZD	1.0791	0.0009	0.0028	0.0056	0.0098	SEK	6.3113 6.8122
AUD/JPY	98.53	-0.39	-1.14	-2.23	-4.28	SGD	0.8115 0.8759
AUD/EUR	0.6009	-0.0002	-0.0007	-0.0018	-0.0049	TWD	19.22 20.74
AUD/GBP	0.5130	0.0004	0.0011	0.0020	0.0030	ZAR	11.44 12.35
USD Index	103.83					EQUITIES	
EUR/USD	1.0861	0.0014	0.0039	0.0084	0.0180		Index
USD/JPY	150.89	-0.72	-2.16	-4.16	-7.77	NZX50	11,818
GBP/USD	1.2720	0.0002	0.0006	0.0011	0.0022	ASX200	7,703
EUR/GBP	0.8536	0.0009	0.0027	0.0055	0.0116	Dow Jones	39,042
						S&P 500	5,174
INTEREST RATES			New Zealand		Australia	FTSE100	7,738
			Mid		Mid	DAX 30	17,987
30 day bank bills			5.59%		4.35%	Nikkei	40,004
90 day bank bills			5.64%		4.40%	COMMODITIES	
1 year swap			5.42%		4.17%		USD
2 year swap			4.92%		3.98%	Brent Crude	87.38
3 year swap			4.61%		3.87%	Gold	2,156.30
5 year swap			4.39%		4.06%	Silver	24.93
10 year swap			4.44%		4.33%	Iron Ore	110.47
3 year Govt bond			4.60%		3.74%	CRB Index	332.01
5 year Govt bond			4.45%		3.82%		NZD
10 year Govt bond			4.69%		4.19%	NZ Carbon	65.40

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