

Market Alert

Thursday 21 March 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6070	-0.0003
NZD/AUD	0.9256	-0.0049
NZD/JPY	91.73	-2.55
NZD/EUR	0.5566	-0.0046
NZD/GBP	0.4753	-0.0007
NZD/CNH	4.3560	-0.0617
AUD/USD	0.6570	0.0031
AUD/EUR	0.6024	-0.0019
EUR/USD	1.0902	0.0082
USD/CNH	7.2112	-0.0987
GBP/USD	1.2767	0.0008
EUR/GBP	0.8538	0.0054

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	4.86%	3.90%
10 year Govt	4.64%	4.13%

It's the same ... but it's not the same!

Yes, the FOMC played to the script maintaining the Fed Funds range at 5.25%-5.50% and holding its median dot-plot forecast of 3 rate cuts in 2024, but, there were substantial changes as well projecting faster growth, lower unemployment, and higher core inflation in 2024! Growth is forecast to jump from 1.4% to 2.1% in 2024, unemployment will be at 4.0% at year end, and while median PCE inflation remains unchanged at 2.4% for 2024, the PCE core was raised 0.2% to 2.6%. The statement also retained the reference the FOMC doesn't expect to cut rates "until it has gained greater confidence that inflation is moving sustainably toward 2.0%." Ultimately, what it all means is that the Fed is prepared to allow inflation to

remain slightly above target for longer in an attempt to generate that soft landing. Finally, the Fed will maintain its pace of QT with a maximum of USD60bn of Treasuries and USD35bn of mortgage-backed securities rolling off the balance sheet each month.

Fed Chair Jerome Powell opened the press conference announcing inflation has eased "notably in the past year but remains above our longer-run goal of 2.0%." He then added, "We are strongly committed to returning inflation to our 2.0% objective. Longer term inflation expectations remain anchored. We believe that our policy rate is likely at its peak for this tightening cycle and that if the economy evolves broadly as expected, it will likely be appropriate to begin dialling back policy restraint at some point this year." Inflation has come in a bit higher recently, "Nevertheless we continue to make good progress on bringing inflation down. The economy is performing well but inflation coming in higher is a separate matter." The Committee also discussed QT, and while no decisions were made, it will likely be appropriate to slow the pace relatively "soon" adding that "slowing the runoff of the bond-portfolio will help to counter stresses in the financial system (through the) ending of QT. By going slower on reducing the balance sheet, the Fed can get further on the actual reduction." The takeout from the press conference is that the Fed Chair Powell is trying to get two messages across ... the Fed is open to cutting rates, although he is also trying to manage expectations for when this will happen.

Post the press conference the USD came under selling pressure as treasury yields in the 2 and 10-years eased back -7bps and -3bps to 4.62% and 4.27%, which saw the AUD/USD and NZD/USD both firm. Interestingly, the NZD/USD is testing resistance at 0.6080 as I type, with a break bringing it back into its prior range. The NZD/AUD has also dipped back down below the 0.9250 level. Equity markets liked the outlook, with international bourses 0.5%-1.0% higher, while commodity markets are mixed with energy products falling.

In the other data releases ...

UK February inflation fell from 4.0% to 3.4%, a 2.5-year low, Euro-area consumer confidence rallied to a 2-year high firming by 0.6 points from a month earlier to -14.9, and the PBoC maintained its 1 and 5-year loan prime rates at 3.45% and 3.95%.

We also had a chunk of NZ data out yesterday with the current account deficit narrowing to NZD27.8bn, or 6.9% of GDP. The country's net international investment liability position rose by NZD11.8bn over Q4 to NZD209.6bn, or 51.7% of GDP, while travel 'exports', spending by overseas visitors to NZ, increased by NZD6.8bn to NZD12.9bn, while travel imports, spending by Kiwi's overseas, increased by NZD2.5bn. Finally, NZ consumer confidence firmed to 93.2 from Q3's 88.9.



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Daily Rates

Thursday 21 March 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.8193	0.8869
NZD/USD	0.6071	0.0000	0.0000	-0.0003	-0.0008	CHF	0.5382	0.5827
NZD/AUD	0.9258	-0.0008	-0.0025	-0.0049	-0.0087	CNY	4.3669	4.7282
NZD/JPY	91.75	-0.44	-1.31	-2.55	-4.78	DKK	4.1509	4.4928
NZD/EUR	0.5567	-0.0007	-0.0021	-0.0046	-0.0100	FJD	1.3634	1.4757
NZD/GBP	0.4755	-0.0001	-0.0003	-0.0007	-0.0016	HKD	4.7487	5.1398
						KRW	808.36	874.95
AU TWI	61.30					MYR	2.8748	3.1116
AUD/USD	0.6570	0.0006	0.0017	0.0031	0.0052	NOK	6.4211	6.9500
AUD/NZD	1.0821	0.0009	0.0028	0.0054	0.0095	SEK	6.3141	6.8341
AUD/JPY	99.29	-0.39	-1.15	-2.27	-4.35	SGD	0.8136	0.8806
AUD/EUR	0.6024	-0.0002	-0.0007	-0.0019	-0.0054	TWD	19.32	20.91
AUD/GBP	0.5145	0.0003	0.0010	0.0019	0.0027	ZAR	11.37	12.30
USD Index	103.46					EQUITIES		
EUR/USD	1.0902	0.0013	0.0039	0.0082	0.0168		Index	
USD/JPY	151.14	-0.72	-2.15	-4.14	-7.68	NZX50	11,833	
GBP/USD	1.2767	0.0001	0.0003	0.0008	0.0013	ASX200	7,696	
EUR/GBP	0.8538	0.0008	0.0027	0.0054	0.0118	Dow Jones	39,461	
						S&P 500	5,213	
INTEREST RATES			New Zealand		Australia	FTSE100	7,737	
			Mid		Mid	DAX 30	18,015	
30 day bank bills			5.59%		4.35%	Nikkei	40,004	
90 day bank bills			5.64%		4.40%	COMMODITIES		
1 year swap			5.38%		4.16%		USD	
2 year swap			4.87%		3.92%	Brent Crude	86.10	
3 year swap			4.57%		3.83%	Gold	2,181.13	
5 year swap			4.35%		4.01%	Silver	25.54	
10 year swap			4.41%		4.28%	Iron Ore	110.71	
3 year Govt bond			4.54%		3.70%	CRB Index	330.13	
5 year Govt bond			4.39%		3.78%		NZD	
10 year Govt bond			4.64%		4.15%	NZ Carbon	51.00	

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