

Market Alert

Wednesday 03 April 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5961	-0.0001
NZD/AUD	0.9154	-0.0046
NZD/JPY	90.37	-2.43
NZD/EUR	0.5539	-0.0045
NZD/GBP	0.4741	-0.0007
NZD/CNH	4.3264	-0.0465
AUD/USD	0.6508	0.0030
AUD/EUR	0.6046	-0.0021
EUR/USD	1.0761	0.0084
USD/CNH	7.2568	-0.0769
GBP/USD	1.2565	0.0013
EUR/GBP	0.8561	0.0055

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.39%
2 year swap	4.84%	3.99%
10 year Govt	4.71%	4.15%

Well ... that was a surprise!

With most participants expecting a negative print, the GDT auction actually surged 2.8% following a cumulative -5.1% decline over the last 2 auctions. Looking at the individual products, it was good news all round after the key WMP and SMP products rallied 3.4% and 1.4%, while cheddar rallied 4.1% and butter firmed 3.1%. In a further positive, the number of New Zealander's behind on payments fell by -4.8% to 457,000 in February according to credit agency Centrix.

Looking at the other overnight releases, there was further positive news out of the US after the JOLTs job openings rose to 8.756m while February factory orders for manufactured goods rose by 1.4% from the prior month. There was also a positive for European inflation after

German inflation dipped to 2.2% from February's 2.5%, its lowest rate since May 2021.

We also had a host of PMI prints, so let's quickly work our way through them ... the Eurozone March manufacturing PMIs firmed to 46.1 from 45.7 with Germany at 41.9. The UK print was at 50.3 verse the preliminary 49.9 print, while Australian weakened to a cyclical low at 47.3 as output and new orders plummeted. And talking of Australia, the Melbourne Institute inflation gauge for March fell from 4.0% to 3.8%, its lowest level in 23 months.

Despite all the positive news ...

... financial markets were nervous ahead of Friday's non-farm payrolls release. This saw profit taking in equity markets with most exchanges -0.75% to -1.0% lower while Tesla shares sank -7.0% after Q1 deliveries plummeted. Interestingly, commodity prices firmed with oil 1.50% higher after Iran vowed revenge following an Israeli airstrike on its embassy in Syria.! The positive PMI prints saw yield curves flatten with 2-year yields a basis point lower at 4.71% while the 10-years firmed 4bps to be at 4.37%. FX markets were quiet with the US-dollar giving up some of its recent gains. Chinese state-owned banks drove markets, being the noticeable sellers of USD/CNY.

In the central bank chit-chat corner ...

Adrian Orr emphasised the RBNZ's unwavering focus on controlling inflation stating, "The MPC remains laser-focused on its job to control inflation" adding that the bigger than expected contraction in Q4 GDP was part of the necessary readjustment adding, "That means that we are on track to getting inflation back into the target band."

RBA assistant Governor, Christopher Kent, stated, "The outlook for inflation and monetary policy is uncertain. We can respond to market stresses if needed, including by conducting OMO more frequently than once a week. The RBA's balance sheet will be no larger than needs to be in order to implement monetary policy (and there will be) no change to current rundown of balance sheet by holding bonds to maturity. The RBA will adopt an ample reserves system for monetary policy."

From the Fed, Loretta Mester, stated, "The Fed won't prejudge meetings, but I won't rule out a June cut. Three cuts this year is reasonable but is a 'close call.' The election won't affect Fed considerations, data will determine path. We're watching oil prices, but rise would need to be sustained to be an issue. The probability of recession isn't something that's worrying me." While Mary Daly added, "Inflation is coming down, but its bumpy and slow. We are making progress although there is no urgency to adjust the Fed funds rate. When we say 2.0% is our inflation goal, we mean 2.0%."

Finally, congratulations to Sam Whitelock after he announced his retirement from rugby overnight. A true legend of the game!



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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	70.20					CAD	0.8090	0.8837
NZD/USD	0.5961	0.0000	0.0000	-0.0001	-0.0003	CHF	0.5411	0.5911
NZD/AUD	0.9154	-0.0008	-0.0024	-0.0046	-0.0077	CNY	4.3113	4.7061
NZD/JPY	90.37	-0.45	-1.26	-2.43	-4.60	DKK	4.1303	4.5093
NZD/EUR	0.5539	-0.0007	-0.0022	-0.0045	-0.0105	FJD	1.3261	1.4478
NZD/GBP	0.4741	-0.0001	-0.0003	-0.0007	-0.0014	HKD	4.6667	5.0949
						KRW	805.61	879.54
AU TWI	61.30					MYR	2.8327	3.0926
AUD/USD	0.6508	0.0006	0.0017	0.0030	0.0052	NOK	6.4674	7.0609
AUD/NZD	1.0917	0.0009	0.0027	0.0050	0.0085	SEK	6.3966	6.9835
AUD/JPY	98.69	-0.40	-1.12	-2.21	-4.25	SGD	0.8055	0.8794
AUD/EUR	0.6046	-0.0003	-0.0008	-0.0021	-0.0057	TWD	19.10	20.85
AUD/GBP	0.5177	0.0004	0.0010	0.0017	0.0027	ZAR	11.19	12.22
USD Index	104.81					EQUITIES		
EUR/USD	1.0761	0.0013	0.0041	0.0084	0.0185		Index	
USD/JPY	151.58	-0.76	-2.10	-4.06	-7.67	NZX50	12,096	
GBP/USD	1.2565	0.0002	0.0006	0.0013	0.0030	ASX200	7,888	
EUR/GBP	0.8561	0.0009	0.0027	0.0055	0.0121	Dow Jones	39,128	
						S&P 500	5,198	
INTEREST RATES			New Zealand		Australia	FTSE100	7,935	
			Mid		Mid	DAX 30	18,283	
30 day bank bills			5.59%		4.35%	Nikkei	39,839	
90 day bank bills			5.63%		4.39%	COMMODITIES		
1 year swap			5.32%		4.20%		USD	
2 year swap			4.86%		4.00%	Brent Crude	88.94	
3 year swap			4.58%		3.90%	Gold	2,268.47	
5 year swap			4.39%		4.07%	Silver	25.93	
10 year swap			4.49%		4.33%	Iron Ore	102.33	
3 year Govt bond			4.58%		3.70%	CRB Index	338.60	
5 year Govt bond			4.47%		3.76%		NZD	
10 year Govt bond			4.71%		4.11%	NZ Carbon	58.35	

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