

Market Alert

Thursday 11 April 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5975	0.0001
NZD/AUD	0.9173	-0.0047
NZD/JPY	91.39	-2.50
NZD/EUR	0.5561	-0.0045
NZD/GBP	0.4764	-0.0007
NZD/CNH	4.3389	-0.0465
AUD/USD	0.6512	0.0034
AUD/EUR	0.6060	-0.0020
EUR/USD	1.0744	0.0089
USD/CNH	7.2630	-0.0788
GBP/USD	1.2540	0.0017
EUR/GBP	0.8565	0.0056

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	4.91%	4.08%
10 year Govt	4.75%	4.19%

No change from the RBNZ

As expected, the RBNZ maintained the OCR at 5.50% for the sixth time yesterday. The Monetary Policy Committee stated that the New Zealand economy was evolving as anticipated and that *"The Committee is confident that maintaining the OCR at a restrictive level for a sustained period will return consumer price inflation to within the 1 to 3 percent target range this calendar year"*. It also warned that global economic growth remained below trend and is expected to remain that way, with most central banks cautious about easing their monetary policies given the ongoing risk of persistent inflation. This announcement had little market impact as most economists expected the OCR to remain as is.

Higher for longer

US CPI data was released overnight, with both measures of inflation surprising to the upside. Core inflation increased 0.4% in March, and 3.8% on the year, against expectations of 0.3% and 3.7%, while headline inflation increased 0.4% in March and 3.5% on the year, against expectations of 0.3% and 3.5%. High sticky services inflation remains a key driver in these high prints, namely shelter inflation, which is comprised of owners' equivalent rent (OER) and rent, which make up ~30% of the total and over 40% of core, remain stubbornly high at 5.91% and 5.68% on the year. Globally, higher oil prices due to uncertainty around supply restraints from OPEC, and global turmoil also contributed to energy price inflation printing positive for the first time since February 2023.

US President, Joe Biden waded into monetary policy waters yesterday at a press conference, and while he admitted that he doesn't know what the Fed will do, he said, *"I do stand by my prediction that, before the year is out, there'll be a rate cut. This may delay it a month or so, I'm not sure of that, we don't know what the Fed is going to do for certain."*

As a result, market expectations of US rate cuts for this calendar year were walked backwards. Before the data release markets expected 2-3 cuts this year, with the first one fully priced in for July. Expectations are now for 1-2 cuts

this year, with the first one pushed out to November. FOMC minutes did confirm that most members supported cutting rates *"at some point this year"*.

US treasury yields were sent sharply higher, the 10-year is current at 4.55%, up 18bp, while the 2-year is at 4.96%, up 24bp. Expect this to push local swap rates and government bond yields higher today. The US dollar index (DXY) also benefited, as it increased from just above 104.00 to over 105.00. This strength saw the USD post strong gains against both antipodean currencies, as both the AUD/USD and NZD/USD lost more than a cent overnight, with the AUD/USD currently at 0.6514, and the NZD/USD back below 0.6000. Equities were in the red, with all 3 major indexes down overnight, as was gold.

In other news, the Atlanta Fed decreased their Q1 GDP Now forecast from 2.5% to 2.4%.

The Bank of Canada left its policy rate unchanged at 5.00% yesterday.



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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	0.8171 0.8909
NZD/USD	0.5975	0.0000	0.0000	0.0001	0.0004	CHF	0.5454 0.5948
NZD/AUD	0.9173	-0.0009	-0.0023	-0.0047	-0.0082	CNY	4.3237 4.7080
NZD/JPY	91.39	-0.43	-1.25	-2.50	-4.77	DKK	4.1476 4.5211
NZD/EUR	0.5561	-0.0007	-0.0021	-0.0045	-0.0097	FJD	1.3287 1.4484
NZD/GBP	0.4764	-0.0001	-0.0003	-0.0007	-0.0016	HKD	4.6809 5.1025
						KRW	814.75 888.12
AU TWI	62.40					MYR	2.8347 3.0899
AUD/USD	0.6512	0.0006	0.0017	0.0034	0.0061	NOK	6.4668 7.0492
AUD/NZD	1.0900	0.0010	0.0028	0.0053	0.0089	SEK	6.4028 6.9794
AUD/JPY	99.62	-0.38	-1.11	-2.25	-4.38	SGD	0.8085 0.8813
AUD/EUR	0.6060	-0.0007	-0.0021	-0.0045	-0.0097	TWD	19.24 20.97
AUD/GBP	0.5191	0.0004	0.0010	0.0019	0.0027	ZAR	11.21 12.22
USD Index	105.17					EQUITIES	
EUR/USD	1.0744	0.0013	0.0041	0.0089	0.0194		Index
USD/JPY	152.96	-0.72	-2.10	-4.21	-8.06	NZX50	11,972
GBP/USD	1.2540	0.0002	0.0007	0.0017	0.0042	ASX200	7,849
EUR/GBP	0.8565	0.0009	0.0026	0.0056	0.0119	Dow Jones	38,462
						S&P 500	5,160
INTEREST RATES			New Zealand		Australia	FTSE100	7,961
			Mid		Mid	DAX 30	18,097
30 day bank bills			5.59%		4.35%	Nikkei	39,582
90 day bank bills			5.63%		4.40%	COMMODITIES	
1 year swap			5.39%		4.24%		USD
2 year swap			4.93%		4.09%	Brent Crude	90.55
3 year swap			4.65%		4.02%	Gold	2,331.16
5 year swap			4.44%		4.18%	Silver	27.86
10 year swap			4.48%		4.43%	Iron Ore	104.33
3 year Govt bond			4.65%		3.72%	CRB Index	345.45
5 year Govt bond			4.54%		3.79%		NZD
10 year Govt bond			4.75%		4.18%	NZ Carbon	54.80

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