

# Market Alert

Friday 12 April 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5998	0.0000
NZD/AUD	0.9170	-0.0046
NZD/JPY	91.91	-2.50
NZD/EUR	0.5592	-0.0046
NZD/GBP	0.4775	-0.0007
NZD/CNH	4.3515	-0.0460
AUD/USD	0.6540	0.0032
AUD/EUR	0.6094	-0.0021
EUR/USD	1.0727	0.0085
USD/CNH	7.2527	-0.0749
GBP/USD	1.2559	0.0013
EUR/GBP	0.8540	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	5.03%	4.13%
10 year Govt	4.87%	4.33%

## Watching and waiting ...

Sounding very similar to our own reserve bank, the US Fed's meeting minutes for March showed that members don't expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2.00%. Members noted uncertainty about the persistence of high inflation and expressed the view that recent data had not increased their confidence that inflation was moving sustainably down to 2.00%, but contrary to this, said that they anticipate some unevenness in the monthly inflation readings as it returns to target. These warnings of "unevenness" did little to stop the bearish mood of investors as wall street continued to tumble yesterday as traders digested a too hot inflation

report. The NZD/USD lifted back to 0.6000 overnight, with the AUD/USD also up a tad to 0.6540.

As widely expected overnight the ECB kept its deposit rate at 4.00%, however, taking another step towards a cutting cycle, the ECB stated, "If the Governing Council's updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission were to further increase its confidence that inflation is converging to the target in a sustained manner, it would be appropriate to reduce the current level of monetary policy restriction," which markets interpreted as a strong signal for rate cuts to start in June. There is confidence that the data is heading in the right direction as ECB President, Christine Lagarde, stated that risks were "tilted to the downside". Some members were more confident about the direction of inflation, and argued for a cut at last night's meeting. A June cut is almost fully priced by markets.

## Only time will tell

Chinese CPI and PPI data releases confirmed that February's 0.7% annual CPI print was likely due to the Lunar Year celebrations rather than a real change the Chinese economy. CPI fell by -1.0% for the month of March, and was up 0.1% on the year, while PPI fell by -2.8% on the year. The soft data continues to show the deflationary battle that China has on its hands, trying to stimulate its deflating economy. Hopefully some of that deflation is shipped our way as tradable

goods deflation would definitely help in the battle against headline inflation locally.

We also had a couple of data releases out of the US. The first, producer prices, which rose a less than expected 0.2% in March, following a 0.6% increase in February. The number of people claiming unemployment also fell more than expected, to 211k, a decline of 11k and against expectations of 215k. The US 10-year Treasury yield rose past 4.57% in the hours following the releases (to a 2024 high), amidst concerns that the Fed will hold rates higher for longer, owing to recent Fed talk and aforementioned data releases. Boston Fed President, Susan Collins, added more fuel to this fire when she said, "Recent data suggest it may take more time than I had previously thought to gain greater confidence in inflation's downward trajectory, before beginning to ease policy."

Today, we get NZ electronic card transactions and selected price indexes for March 2024, as a teaser for next week's full-fat March quarter CPI data.



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# Daily Rates

Friday 12 April 2024

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	70.60					CAD	0.8206 0.8948
NZD/USD	0.6000	0.0000	0.0000	0.0000	-0.0001	CHF	0.5455 0.5950
NZD/AUD	0.9174	-0.0008	-0.0024	-0.0046	-0.0087	CNY	4.3274 4.7181
NZD/JPY	91.92	-0.42	-1.28	-2.50	-4.75	DKK	4.1703 4.5471
NZD/EUR	0.5593	-0.0007	-0.0022	-0.0046	-0.0099	FJD	1.3317 1.4520
NZD/GBP	0.4777	-0.0001	-0.0003	-0.0007	-0.0016	HKD	4.7012 5.1261
						KRW	820.00 894.10
AU TWI	61.70					MYR	2.8461 3.1032
AUD/USD	0.6540	0.0006	0.0017	0.0032	0.0058	NOK	6.4916 7.0782
AUD/NZD	1.0898	0.0009	0.0027	0.0051	0.0083	SEK	6.4319 7.0131
AUD/JPY	100.19	-0.37	-1.13	-2.22	-4.33	SGD	0.8112 0.8845
AUD/EUR	0.6094	-0.0002	-0.0008	-0.0021	-0.0056	TWD	19.32 21.06
AUD/GBP	0.5207	0.0004	0.0011	0.0018	0.0029	ZAR	11.23 12.24
USD Index	105.24					<b>EQUITIES</b>	
EUR/USD	1.0727	0.0013	0.0039	0.0085	0.0191		<b>Index</b>
USD/JPY	153.21	-0.70	-2.13	-4.13	-7.91	NZX50	11,934
GBP/USD	1.2559	0.0002	0.0006	0.0013	0.0031	ASX200	7,814
EUR/GBP	0.8540	0.0009	0.0026	0.0056	0.0125	Dow Jones	38,513
						S&P 500	5,210
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,924
			<b>Mid</b>		<b>Mid</b>	DAX 30	17,954
30 day bank bills			5.60%		4.35%	Nikkei	39,443
90 day bank bills			5.64%		4.40%	<b>COMMODITIES</b>	
1 year swap			5.43%		4.27%		<b>USD</b>
2 year swap			5.05%		4.15%	Brent Crude	90.19
3 year swap			4.78%		4.07%	Gold	2,372.89
5 year swap			4.58%		4.25%	Silver	28.43
10 year swap			4.68%		4.50%	Iron Ore	104.02
3 year Govt bond			4.79%		3.86%	CRB Index	342.82
5 year Govt bond			4.68%		3.94%		<b>NZD</b>
10 year Govt bond			4.87%		4.32%	NZ Carbon	52.05

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