

Market Alert

Thursday 16 May 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6121	-0.0001
NZD/AUD	0.9148	-0.0046
NZD/JPY	94.855	-2.59
NZD/EUR	0.5626	-0.0049
NZD/GBP	0.4827	-0.0009
NZD/CNH	4.4177	-0.0581
AUD/USD	0.6689	0.0031
AUD/EUR	0.6146	-0.0025
EUR/USD	1.0879	0.0092
USD/CNH	7.2187	-0.0931
GBP/USD	1.2679	0.0019
EUR/GBP	0.8578	0.0060

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.68%	4.42%
2 year swap	4.88%	4.14%
10 year Govt	4.73%	4.40%

Moderating moderately!

That was the story of last night's US releases after CPI inflation eased to 0.3% on the month against expectations of a 0.4% increase. Everything else was in line with expectations with annual inflation inching lower to 3.4% from March's 3.5%, while the core printed at 0.3% and 3.6%. The lower prints were predominately driven by lower insurance and international airline prices ... who would have thunk it ... competition's generates lower prices! Continuing the weak trend, retail sales numbers printed flat in April against expectations at 0.4%, while average hourly and weekly earnings both printed at 0.5% below expectations at 0.6%.

With the cracks starting to appear in the US data, equity and treasury markets went on a tear as traders positioned

themselves for an earlier start to the cutting cycle with speculation building that the Fed could even cut in July, with a full 25bps priced in for September. This saw treasury yields plummet with the 2-years -7bps lower at 4.75% while the 10-years fell -9bps to be at 4.35%, and the local swap curves will open significantly lower this morning as well. The USD-index succumb to selling pressure falling -0.65% to 104.35, which saw the NZD/USD and AUD/USD rally strongly firming 1.25% and 1.0% respectfully to re-enter their Q1 ranges. We should now expect re-tests of the 0.6050 and 0.6625 levels, and if they hold, it would signal they have reverted to their Q1 ranges. I suspect the Japanese authorities will also be breathing a huge sigh of relief with the USD-selling as USD/JPY fell back to the 155.00 level, although the strong rally from the antipodean currencies will be extremely unhelpful for local exporters to Japan. Equity markets also liked the idea of lower interest rates firming 0.75%-1.25% across the board while the S&P is currently above the 5300 level for the first time ever, while oil, copper, gold, and silver prices all rallied strongly.

To be honest, with the CPI and retail sales releases taking centre stage ...

... most of the other headlines were relegated to the back pages.

The Atlanta Fed's GDPNow Q2 GDP growth forecast eased back from 4.2% to 3.8% while Fed rent-quote member

Neel Kashkari announced, "Fed is focused on underlying demand in the economy to get inflation down. The big question now is how restrictive is the current Fed policy? We probably need to sit here for a while longer to figure out where inflation is headed. The Fed's balance sheet runoff is going well but with higher US government debt, it might take higher borrowing costs in the near term to achieve 2% inflation."

Apparently, the Chinese authorities are considering purchasing millions of unsold homes to support the property market with local governments/councils being asked to purchase units from distressed developers at steep discounts using loans provided by state banks.

The IEA has lowered its outlook for crude demand growth this year amid an economic slowdown and mild weather in Europe, although consumption is still expected to reach a record 103 million barrels a day.

Are you listening at the RBNZ ... because this is how you do it! The Argentinean central bank cut rates overnight by 1,000bps ... from 50.0% to 40.0% ... yes, you read that right! It was their 6th interest rate cut since last December.

Bridgewater CEO, Nir Bar Dea, has admitted the hedge fund gets around 40% of its calls wrong, said, even with 400 analysts! At least our analysts are better ... at making coffee!



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Daily Rates

Thursday 16 May 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.20					CAD	0.8326	0.9063
NZD/USD	0.6121	0.0000	0.0000	-0.0001	-0.0008	CHF	0.5523	0.6040
NZD/AUD	0.9148	-0.0009	-0.0025	-0.0046	-0.0078	CNY	4.4180	4.8279
NZD/JPY	94.855	-0.45	-1.35	-2.59	-4.89	DKK	4.1956	4.5864
NZD/EUR	0.5626	-0.0007	-0.0024	-0.0049	-0.0105	FJD	1.3437	1.4688
NZD/GBP	0.4827	-0.0001	-0.0004	-0.0009	-0.0023	HKD	4.7785	5.2236
						KRW	828.46	905.64
AU TWI	63.00					MYR	2.8790	3.1472
AUD/USD	0.6689	0.0006	0.0018	0.0031	0.0048	NOK	6.5284	7.1367
AUD/NZD	1.0926	0.0010	0.0029	0.0052	0.0071	SEK	6.5267	7.1347
AUD/JPY	103.37	-0.39	-1.19	-2.36	-4.53	SGD	0.8231	0.8997
AUD/EUR	0.6146	-0.0002	-0.0010	-0.0025	-0.0064	TWD	19.63	21.46
AUD/GBP	0.5274	0.0004	0.0010	0.0016	0.0019	ZAR	11.17	12.21
USD Index	104.35					EQUITIES		
EUR/USD	1.0879	0.0014	0.0045	0.0092	0.0192		Index	
USD/JPY	154.96	-0.73	-2.18	-4.19	-7.82	NZX50	11,526	
GBP/USD	1.2679	0.0002	0.0008	0.0019	0.0039	ASX200	7,754	
EUR/GBP	0.8578	0.0009	0.0029	0.0060	0.0121	Dow Jones	39,894	
						S&P 500	5,303	
INTEREST RATES			New Zealand		Australia	FTSE100	8,446	
			Mid		Mid	DAX 30	18,869	
30 day bank bills			5.60%		4.35%	Nikkei	38,386	
90 day bank bills			5.64%		4.42%	COMMODITIES		
1 year swap			5.36%		4.35%		USD	
2 year swap			4.90%		4.16%	Brent Crude	82.90	
3 year swap			4.63%		4.08%	Gold	2,386.89	
5 year swap			4.41%		4.23%	Silver	29.72	
10 year swap			4.49%		4.45%	Iron Ore	116.65	
3 year Govt bond			4.65%		4.01%	CRB Index	338.04	
5 year Govt bond			4.57%		4.08%		NZD	
10 year Govt bond			4.73%		4.43%	NZ Carbon	54.25	

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