

Market Alert

Wednesday 22 May 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6096	-0.0002
NZD/AUD	0.9144	-0.0047
NZD/JPY	95.210	-2.62
NZD/EUR	0.5616	-0.0051
NZD/GBP	0.4795	-0.0009
NZD/CNH	4.4176	-0.0605
AUD/USD	0.6665	0.0031
AUD/EUR	0.6139	-0.0024
EUR/USD	1.0855	0.0094
USD/CNH	7.2472	-0.0971
GBP/USD	1.2711	0.0019
EUR/GBP	0.8536	0.0060

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.65%	4.39%
2 year swap	4.88%	4.15%
10 year Govt	4.71%	4.33%

Wait a minute ... I'm confused?

Yeah, I know it doesn't take much but, what were the RBA attempting to say in the minutes from their May meeting?

As we all know, they left the cash rate unchanged at 4.35% as expected, but the minutes referenced the Board, "Considered whether to raise rates, but judged the case for steady policy the stronger one," but then added, "The Board expressed limited tolerance for inflation returning to target later than 2026" implying that they are happy to leave rates where they are for another couple of years. They then added, "A rate rise could be appropriate if forecasts proved overly optimistic, although the risks around the forecasts were judged to be balanced," adding later that, "Inflation expectations remain well anchored. It is reasonable to look through short-term variations in inflation to avoid excessive fine

tuning. Financial conditions in Australia were judged to be restrictive."

Bullish? Bearish? Or somewhere in between? At least the RBNZ will be clearer this afternoon ... hopefully!

While the BoC tends to 'slip' under the radar, they have done a stellar job in controlling inflation as it eased to 2.7% in April, which was the lowest level since March 2021 and its 4th consecutive month of contraction, and while we're speaking of central banks, the Hungarian central bank lowered its key base rate by 50bps to 7.25%.

The Euro-zone posted a trade surplus of EUR24.1bn in March, which was better than market forecasts at EUR19.9bn. It was the largest trade surplus since December 2020 as imports slipped -12.0% while exports fell at a slower -9.2%. Meanwhile, China's gold imports slumped last month to 136 tons, a 30% drop from March and the lowest total for the year.

Stating the obvious, BoE Governor, Andrew Bailey, announced, "I expect the next move on rates will be a cut as I expect quite a drop in April inflation data. The question is, how long we maintain this level of monetary policy restriction?" Fed Governor, Christopher Waller, was equally straightforward stating, "The data looks like we don't need to raise rates. We're look toward rate cuts toward the end of the year." He then added he needs to see "several more" months of progress on inflation to support rate cuts while Raphael Bostic suggested the Fed is

"rethinking" its view on the neutral policy rate.

In terms of financial market moves, it was pretty quiet overnight with the biggest surprise being the GDT auction which saw the overall index firm 3.3% with every product generating price gains. Of the core products, AMF and SMP posted 3.5% gains while WMP firmed 2.9%, while the peripheral products all posted 5.0%-plus gains. Equity markets were steady while commodity markets saw some profit taking, although it should be mentioned copper continued its relentless grind higher. NZD/USD eased back below the 0.6100 level, AUD/USD was steady, while USD/JPY eased back. Treasury yields also eased back, with the 2-years -2bps lower at 4.84% with the 10-years easing back -3bps to yield 4.42%.

Ahead of this afternoon's RBNZ.

The New Zealand Treasury stated there is no near-term turning point in their projections for the local economy. On other words, and in a Scottish accent, "Oh, nooo, we're doomed, DOOMED I tell ya!!" Well done, Frazer!

Finally, Klaus Schwab has announced he will step down as Executive Chairman of the World Economic Forum, a position he has held since 1971, but don't worry, he's imbedded family members into strategic positions within the organisation!



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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	71.70					CAD	0.8318	0.9099
NZD/USD	0.6096	0.0000	0.0000	-0.0002	-0.0004	CHF	0.5551	0.6073
NZD/AUD	0.9144	-0.0009	-0.0025	-0.0047	-0.0079	CNY	4.4092	4.8233
NZD/JPY	95.210	-0.46	-1.32	-2.62	-4.87	DKK	4.1886	4.5811
NZD/EUR	0.5616	-0.0008	-0.0024	-0.0051	-0.0101	FJD	1.3600	1.4874
NZD/GBP	0.4795	-0.0001	-0.0004	-0.0009	-0.0020	HKD	4.7561	5.2018
						KRW	830.80	908.64
AU TWI	63.10					MYR	2.8581	3.1259
AUD/USD	0.6665	0.0006	0.0017	0.0031	0.0052	NOK	6.4985	7.1074
AUD/NZD	1.0934	0.0010	0.0028	0.0050	0.0074	SEK	6.5123	7.1225
AUD/JPY	104.10	-0.41	-1.17	-2.34	-4.48	SGD	0.8207	0.8976
AUD/EUR	0.6139	-0.0003	-0.0010	-0.0024	-0.0059	TWD	19.67	21.52
AUD/GBP	0.5241	0.0004	0.0010	0.0017	0.0024	ZAR	11.01	12.04
USD Index	104.62					EQUITIES		
EUR/USD	1.0855	0.0015	0.0044	0.0094	0.0189		Index	
USD/JPY	156.18	-0.76	-2.15	-4.24	-7.89	NZX50	11,676	
GBP/USD	1.2711	0.0002	0.0008	0.0019	0.0035	ASX200	7,852	
EUR/GBP	0.8536	0.0010	0.0028	0.0060	0.0118	Dow Jones	39,859	
						S&P 500	5,321	
INTEREST RATES			New Zealand		Australia	FTSE100	8,416	
			Mid		Mid	DAX 30	18,727	
30 day bank bills			5.60%		4.34%	Nikkei	38,947	
90 day bank bills			5.61%		4.39%	COMMODITIES		
1 year swap			5.35%		4.31%		USD	
2 year swap			4.90%		4.16%	Brent Crude	82.88	
3 year swap			4.62%		4.07%	Gold	2,423.40	
5 year swap			4.42%		4.22%	Silver	32.04	
10 year swap			4.49%		4.44%	Iron Ore	117.24	
3 year Govt bond			4.61%		3.92%	CRB Index	345.31	
5 year Govt bond			4.52%		4.00%		NZD	
10 year Govt bond			4.71%		4.34%	NZ Carbon	49.00	

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