

# Market Alert

Friday 31 May 2024

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6116 | -0.0002 |
| NZD/AUD    | 0.9222 | -0.0046 |
| NZD/JPY    | 95.890 | -2.61   |
| NZD/EUR    | 0.5647 | -0.0052 |
| NZD/GBP    | 0.4804 | -0.0007 |
| NZD/CNH    | 4.4353 | -0.0630 |
| AUD/USD    | 0.6629 | 0.0030  |
| AUD/EUR    | 0.6120 | -0.0026 |
| EUR/USD    | 1.0827 | 0.0092  |
| USD/CNH    | 7.2537 | -0.1007 |
| GBP/USD    | 1.2727 | 0.0012  |
| EUR/GBP    | 0.8504 | 0.0062  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 5.50% | 4.35%     |
| 90 day bills | 5.67% | 4.40%     |
| 2 year swap  | 5.07% | 4.27%     |
| 10 year Govt | 4.95% | 4.52%     |

## Next Monday could be the best Monday ever!

I'm convinced it will be ... because it's a bank holiday ... and we all love a bank holiday don't we!

Now, there will be a lot of talk about the budget this morning, yawn, and it is great that we will all be getting a little bit more money in our pay packets going forward, but it was also great to see a larger chunk of the savings going to the health service! Yawn. Apart from that, it was a bit of a yawn session.

Ahead of tonight's US PCE update, last night saw US GDP growth revised down to 1.3% in Q1, which was below the advance estimate at 1.6% following on from Q4's stellar 3.4% print. The key drag on the headline number was personal spending which grew at a 2.0%,

which was below the prior estimate at 2.5%. Initial claims also emphasised a slow economy increasing by 3k to 219k, although continuing claims countered this to some extent falling -3k to 1,791k. Looking at the 2nd tier releases, pending home sales decreased by 7.7% in April, which was the index's biggest fall since February 2021, while crude oil holdings decreased by 4.1m barrels.

We also had a few Fed speakers with Atlanta President, Raphael Bostic, announcing, "*I don't see a rate cut in July, but I am open to one if data justifies it. I expect to reach the inflation goal without an unemployment jump.*" Chicago Colleague, Austan Goolsbee, the added, "*The issue now is whether the US will face a 'traditional' trade-off between inflation and unemployment,*" while New York President, John Williams, confirmed, "*We have time and space to take in data before shifting on policy. No one knows for sure exactly where neutral rate of interest is.*"

We also had ex-Fed Member, Bill Dudley, penned an article stating, "*The Fed's short-term interest-rate target might not be high enough to cool the economy. Instead of 'higher for longer,' the central bank's mantra should be 'higher indefinitely' until inflation drops more convincingly.*"

Against the poorer US data, the Euro-zone releases provided some reason for optimism after economic sentiment increased from 95.6 to 96.0 with improvements in sentiment for both industry and services, while the unemployment rate fell from 6.5% to 6.4%, its lowest level since the Euro-zone was founded in 1999!

Following on from yesterday's high at 4.61%, the 10-years US yield eased back today falling -6bps to 4.55%, and while we could blame the move on the weaker than expected GDP print, it was ultimately a 'risk-off' session across the board as traders squared positions ahead of tonight's all important PCE inflation print. Currency markets tread water, with NZD/USD and AUD/USD firming from their overnight lows, while USD/JPY fell back below the 157.00 level to 156.85. European equity markets posted marginal gains, although US markets closed lower with Salesforce down -20.0% following weaker than expected earnings. Commodities were also lower with oil prices falling -2.0%.

## This is amazing!

Wellington Phoenix goalkeeper, Alex Paulsen, has been linked with a potential move to the English Premier league ... with, allegedly, Bournemouth, Chelsea and Liverpool making enquiries for the 21-year-old! Fingers crossed for you Alex!

But not so amazing ... hedge fund billionaire Bill Ackman will likely back Donald Trump at this year's election. One billionaire backing another billionaire ... should this be a headline?



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# Daily Rates

Friday 31 May 2024

| FX                    | Spot   | FECs (mid) |                    |         |                  | Spot Mid           |              |        |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
|                       | Mid    | 1mth       | 3mths              | 6mths   | 12mths           | NZD/...            | AUD/...      |        |
| NZ TWI                | 72.10  |            |                    |         |                  | CAD                | 0.8364       | 0.9072 |
| NZD/USD               | 0.6116 | 0.0000     | 0.0000             | -0.0002 | -0.0006          | CHF                | 0.5521       | 0.5991 |
| NZD/AUD               | 0.9222 | -0.0009    | -0.0024            | -0.0046 | -0.0085          | CNY                | 4.4209       | 4.7948 |
| NZD/JPY               | 95.890 | -0.46      | -1.33              | -2.61   | -5.00            | DKK                | 4.2101       | 4.5655 |
| NZD/EUR               | 0.5647 | -0.0008    | -0.0025            | -0.0052 | -0.0107          | FJD                | 1.3417       | 1.4550 |
| NZD/GBP               | 0.4804 | -0.0001    | -0.0003            | -0.0007 | -0.0017          | HKD                | 4.7785       | 5.1818 |
|                       |        |            |                    |         |                  | KRW                | 840.82       | 911.80 |
| AU TWI                | 62.70  |            |                    |         |                  | MYR                | 2.8743       | 3.1170 |
| AUD/USD               | 0.6629 | 0.0006     | 0.0017             | 0.0030  | 0.0049           | NOK                | 6.4475       | 6.9923 |
| AUD/NZD               | 1.0842 | 0.0009     | 0.0028             | 0.0052  | 0.0079           | SEK                | 6.4798       | 7.0268 |
| AUD/JPY               | 103.95 | -0.38      | -1.18              | -2.33   | -4.53            | SGD                | 0.8252       | 0.8948 |
| AUD/EUR               | 0.6120 | -0.0003    | -0.0011            | -0.0026 | -0.0062          | TWD                | 19.80        | 21.47  |
| AUD/GBP               | 0.5206 | 0.0004     | 0.0011             | 0.0019  | 0.0029           | ZAR                | 11.47        | 12.44  |
| USD Index             | 104.77 |            |                    |         |                  | <b>EQUITIES</b>    |              |        |
| EUR/USD               | 1.0827 | 0.0014     | 0.0045             | 0.0092  | 0.0190           |                    | <b>Index</b> |        |
| USD/JPY               | 156.80 | -0.72      | -2.15              | -4.22   | -7.94            | NZX50              | 11,557       |        |
| GBP/USD               | 1.2727 | 0.0002     | 0.0006             | 0.0012  | 0.0021           | ASX200             | 7,628        |        |
| EUR/GBP               | 0.8504 | 0.0010     | 0.0031             | 0.0062  | 0.0132           | Dow Jones          | 37,078       |        |
|                       |        |            |                    |         |                  | S&P 500            | 5,234        |        |
| <b>INTEREST RATES</b> |        |            | <b>New Zealand</b> |         | <b>Australia</b> | FTSE100            | 8,231        |        |
|                       |        |            | <b>Mid</b>         |         | <b>Mid</b>       | DAX 30             | 18,497       |        |
| 30 day bank bills     |        |            | 5.60%              |         | 4.34%            | Nikkei             | 38,054       |        |
| 90 day bank bills     |        |            | 5.63%              |         | 4.40%            | <b>COMMODITIES</b> |              |        |
| 1 year swap           |        |            | 5.50%              |         | 4.38%            |                    | <b>USD</b>   |        |
| 2 year swap           |        |            | 5.11%              |         | 4.28%            | Brent Crude        | 81.97        |        |
| 3 year swap           |        |            | 4.85%              |         | 4.20%            | Gold               | 2,341.36     |        |
| 5 year swap           |        |            | 4.64%              |         | 4.36%            | Silver             | 31.07        |        |
| 10 year swap          |        |            | 4.68%              |         | 4.59%            | Iron Ore           | 117.74       |        |
| 3 year Govt bond      |        |            | 4.86%              |         | 4.14%            | CRB Index          | 342.31       |        |
| 5 year Govt bond      |        |            | 4.78%              |         | 4.21%            |                    | <b>NZD</b>   |        |
| 10 year Govt bond     |        |            | 4.95%              |         | 4.54%            | NZ Carbon          | 49.00        |        |

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