

Market Alert

Thursday 13 June 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6183	-0.0002
NZD/AUD	0.9277	-0.0047
NZD/JPY	96.960	-2.68
NZD/EUR	0.5718	-0.0052
NZD/GBP	0.4829	-0.0008
NZD/CNH	4.4909	-0.0629
AUD/USD	0.6663	0.0031
AUD/EUR	0.6162	-0.0026
EUR/USD	1.0809	0.0092
USD/CNH	7.2623	-0.0993
GBP/USD	1.2799	0.0013
EUR/GBP	0.8443	0.0062

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.41%
2 year swap	5.03%	4.12%
10 year Govt	4.80%	4.36%

All eyes on the Federal Reserve

Ahead of the Federal Reserve meeting overnight, US CPI was released, showing an unexpected slow down to 3.3% in May, against forecasts of 3.4%. Markets reacted by pricing in three central bank rate cuts over the remainder of the year following the release, with the odds of a September cut jumping briefly to 70%, from 52% a day ago. Next up was the Fed policy meeting, where Jerome Powell and his committee unsurprisingly decided to keep the Fed Funds Rate unchanged at the 5.25%-5.50% range.

Fed watchers would have told you this was the only real outcome ahead of the meeting, with the focus of analysis being on the new dot plot projections and Powell's reaction to the CPI report earlier in the day. As to the former, the dot plot projections showed a further delay in the cutting cycle, compared to

the previous March release. The Fed is now looking at delivering one or two cuts in 2024, instead of three, but four cuts in 2025, instead of three. Officials also raised their projections for where the central bank rate should lie without heating up or cooling down the economy: now 2.80%, up from 2.60%.

Speaking to the recent data releases, Powell said "... *There's an argument that they may be a bit overstated, but still, they're strong,*" referring to the US payroll reports, while, about today's CPI report he stated "*We'll need to see more good data to bolster our confidence that inflation is moving sustainably toward 2%.*"

All in all, markets didn't buy into the Fed's hawkish rhetoric and dot-plots too much, the US 10-year Treasury yield down 8bps currently to 4.32%, while the NZD/USD jumped from around 0.6140 to 0.6220 initially following the CPI data, before settling down at a more modest 0.6180 level post the Fed announcement. It was a similar story for the AUD/USD, which spiked above 0.6700 briefly before easing back to 0.6660. The NZD/AUD was relatively stable.

So, significant market moves but still within recent ranges ...

Kiwis leaving NZ

Provisional estimates for migration were released by Stats NZ yesterday, with New Zealand migrant arrivals up 25% to 229,100 in the year ended April, while departures were up 34% to 130,600 to reach the highest level on record for an annual period. There was an overall net

migration gain of 98,500, although New Zealand citizens had a net loss of -56,500.

International travel data also came out yesterday, with monthly overseas visitor arrivals up by 3,800 from the April 2023 month, to 225,000 in April 2024. This is lower than the pre-COVID number of 307,400 in April 2019, although it was noted that Easter falling in March this year contributed to the lower April figure. 45% of overseas visitors were from Australia, followed by 10% from China and 9% from the United States. Monthly arrivals of New Zealand-resident travellers were up 31,700 from the April 2023 month to 242,100 in the April 2024 month, similar to the pre-COVID level of 243,300 in April 2019.

World Bank raises global growth forecast

The World Bank has raised its global growth forecast from 2.4% to 2.6% for 2024. The forecast for 2025 was unchanged at 2.7%. The stronger growth forecast was mostly carried by the boosted US growth outlook for 2024, now up from 1.6% to 2.5%, while estimates for developing markets in Africa and the Middle East declined. The World Bank expects global inflation to drop to 3.5% for 2024 and go down to 2.9% for 2025.

China's CPI came in lower than expected at -0.1% for the May month and 0.3% for the May year, against forecasts of 0.0% and 0.4%, respectively. PPI dropped by -1.4% for the May year, against expectations of a -1.5% decline.



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Daily Rates

Thursday 13 June 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.60					CAD	0.8481	0.9143
NZD/USD	0.6185	0.0000	0.0000	-0.0002	-0.0007	CHF	0.5529	0.5959
NZD/AUD	0.9282	-0.0009	-0.0025	-0.0047	-0.0085	CNY	4.4753	4.8227
NZD/JPY	96.990	-0.49	-1.40	-2.68	-5.01	DKK	4.2659	4.5971
NZD/EUR	0.5721	-0.0008	-0.0026	-0.0052	-0.0106	FJD	1.3574	1.4628
NZD/GBP	0.4832	-0.0001	-0.0003	-0.0008	-0.0015	HKD	4.8286	5.2035
						KRW	847.05	912.81
AU TWI	63.00					MYR	2.9153	3.1416
AUD/USD	0.6663	0.0006	0.0017	0.0031	0.0048	NOK	6.5399	7.0476
AUD/NZD	1.0774	0.0009	0.0028	0.0052	0.0085	SEK	6.4180	6.9163
AUD/JPY	104.49	-0.42	-1.23	-2.40	-4.56	SGD	0.8332	0.8978
AUD/EUR	0.6162	-0.0004	-0.0011	-0.0026	-0.0061	TWD	19.95	21.50
AUD/GBP	0.5204	0.0004	0.0010	0.0017	0.0026	ZAR	11.37	12.25
USD Index	104.74					EQUITIES		
EUR/USD	1.0809	0.0016	0.0046	0.0092	0.0182		Index	
USD/JPY	156.81	-0.77	-2.26	-4.28	-7.92	NZX50	11,742	
GBP/USD	1.2799	0.0002	0.0007	0.0013	0.0019	ASX200	7,716	
EUR/GBP	0.8443	0.0011	0.0031	0.0062	0.0124	Dow Jones	38,712	
						S&P 500	5,421	
INTEREST RATES			New Zealand		Australia	FTSE100	8,215	
			Mid		Mid	DAX 30	18,631	
30 day bank bills			5.60%		4.34%	Nikkei	38,877	
90 day bank bills			5.62%		4.41%	COMMODITIES		
1 year swap			5.43%		4.29%		USD	
2 year swap			5.04%		4.14%	Brent Crude	82.47	
3 year swap			4.77%		4.05%	Gold	2,323.39	
5 year swap			4.47%		4.20%	Silver	29.67	
10 year swap			4.50%		4.41%	Iron Ore	106.27	
3 year Govt bond			4.76%		3.98%	CRB Index	345.47	
5 year Govt bond			4.65%		4.05%		NZD	
10 year Govt bond			4.80%		4.38%	NZ Carbon	52.25	

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