

Market Alert

Friday 14 June 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6168	-0.0002
NZD/AUD	0.9292	-0.0047
NZD/JPY	96.870	-2.62
NZD/EUR	0.5742	-0.0053
NZD/GBP	0.4832	-0.0008
NZD/CNH	4.4853	-0.0642
AUD/USD	0.6636	0.0031
AUD/EUR	0.6178	-0.0027
EUR/USD	1.0740	0.0092
USD/CNH	7.2702	-0.1012
GBP/USD	1.2762	0.0012
EUR/GBP	0.8412	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.42%
2 year swap	4.96%	4.04%
10 year Govt	4.73%	4.27%

NZ card spending continues to decline

New Zealand retail card spending was down -1.1% in May, with core card spending down -0.8%, both seasonally adjusted but not adjusted for inflation or the substantial population gain. This continues the downward trend so far this year as cost of living pressures wallop households. By category, hospitality was down -2.0%, fuel down -2.8%, durables down -1.0%, motor vehicles down -4.8%, apparel down -1.2%, and consumables slightly up by 0.1%. Non-retail (excluding services) spending was down by -0.7%. The services category was down by -5.8%.

From elsewhere in the world

Australian unemployment matched expectations, coming in at 4.0%, slightly lower than the previous figure of 4.1%.

The participation rate rose to 66.8%, up from 66.7%, remaining close to the all-time high of 67.0% in November 2023. Net employment rose by 39,700 for the month, beating market expectations of 30,000, with full-time employment up by 41,700 and part-time employment down by -2,100. Hours worked were slightly lower, with a -0.5% decrease due to a large number of workers taking sick leave. "Together with elevated levels of job vacancies, this suggests the labour market remains relatively tight, though less than in late 2022 and early 2023," said Bjorn Jarvis, ABS head of labour statistics. The strong Australian labour market continues to point to RBA cuts being some distance away.

Meanwhile, industrial production in the European Union fell rather sharply in April, down -0.1% from March, when a gain of 0.2% was expected! Markets see another one of two interest rate cuts before year end, after the ECB last week delivered its first cut since 2019.

And now to the USA

Two unexpectedly soft data prints out of America overnight, with US producer prices declining -0.2%, against expectations of a 0.1% gain, and jobless claims also going the wrong way, surging 13k to a 10-month high of 242k. These readings reinforced the case for the Fed to drop rates this year and the 10-year Treasury yield reacted by falling another 7bps overnight to 4.24%. Australian yields followed US moves lower yesterday, down 5-8bps across the

curve, but NZ yields were surprisingly flat. Hopefully we see some downward pressure today on the open, in line with the global trend lower.

Speaking of the Fed, here are what some analysts from the world's top banks are saying about yesterday's Fed decision:

- Wells Fargo, "On balance, we remain confident that the FOMC will begin reducing the federal funds rate before the year is out. It will be a close call between one and two 25 basis point cuts."
- Morgan Stanley, "We continue to see three cuts this year, starting in September, informed by our core PCE forecasts that reach a 3-month annualized pace of 2.5% ahead of the meeting. Inflation continues to move convincingly lower, and the Fed cuts every meeting through mid-2025."
- Goldman Sachs, "We continue to expect a first rate cut in September and a 2nd cut in December...With two better rounds of inflation and data now in hand, we think that if the next three rounds are in a similar range, the leadership is likely to push through a cut in September."
- Bank of America said, "Overall, we retain our view for one rate cut this year in December and for gradual easing cycle that ends with the terminal rate of 3.5% - 3.75%."

Clear as mud then!

The NZD starts marginally softer today after its recent rally, dropping 20 points to 0.6170 this morning. The NZD/AUD is up 20 points and knocking on the door of 0.9300 again.



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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	72.80					CAD	0.8472	0.9117
NZD/USD	0.6170	0.0000	0.0000	-0.0002	-0.0010	CHF	0.5511	0.5932
NZD/AUD	0.9297	-0.0008	-0.0025	-0.0047	-0.0080	CNY	4.4732	4.8126
NZD/JPY	96.915	-0.45	-1.35	-2.62	-4.97	DKK	4.2839	4.6090
NZD/EUR	0.5745	-0.0008	-0.0026	-0.0053	-0.0106	FJD	1.3571	1.4601
NZD/GBP	0.4834	-0.0001	-0.0003	-0.0008	-0.0016	HKD	4.8176	5.1832
						KRW	848.66	913.05
AU TWI	63.10					MYR	2.9020	3.1222
AUD/USD	0.6636	0.0006	0.0017	0.0031	0.0045	NOK	6.5657	7.0639
AUD/NZD	1.0754	0.0009	0.0027	0.0052	0.0086	SEK	6.4597	6.9498
AUD/JPY	104.23	-0.39	-1.18	-2.31	-4.50	SGD	0.8328	0.8960
AUD/EUR	0.6178	-0.0004	-0.0012	-0.0027	-0.0064	TWD	19.95	21.47
AUD/GBP	0.5198	0.0004	0.0010	0.0017	0.0027	ZAR	11.36	12.22
USD Index	105.20					EQUITIES		
EUR/USD	1.0740	0.0015	0.0047	0.0092	0.0183		Index	
USD/JPY	157.06	-0.72	-2.17	-4.19	-7.81	NZX50	11,873	
GBP/USD	1.2762	0.0002	0.0007	0.0012	0.0016	ASX200	7,750	
EUR/GBP	0.8412	0.0010	0.0031	0.0061	0.0126	Dow Jones	38,646	
						S&P 500	5,434	
INTEREST RATES			New Zealand		Australia	FTSE100	8,164	
			Mid		Mid	DAX 30	18,266	
30 day bank bills			5.60%		4.34%	Nikkei	38,720	
90 day bank bills			5.62%		4.42%	COMMODITIES		
1 year swap			5.41%		4.29%		USD	
2 year swap			4.98%		4.05%	Brent Crude	82.25	
3 year swap			4.69%		4.00%	Gold	2,303.32	
5 year swap			4.45%		4.14%	Silver	28.93	
10 year swap			4.48%		4.33%	Iron Ore	106.42	
3 year Govt bond			4.68%		3.92%	CRB Index	346.10	
5 year Govt bond			4.57%		3.98%		NZD	
10 year Govt bond			4.73%		4.29%	NZ Carbon	52.00	

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