

# Market Alert

Monday 24 June 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6109	-0.0001
NZD/AUD	0.9198	-0.0044
NZD/JPY	97.620	-2.67
NZD/EUR	0.5716	-0.0053
NZD/GBP	0.4833	-0.0008
NZD/CNH	4.4620	-0.0641
AUD/USD	0.6634	0.0029
AUD/EUR	0.6207	-0.0029
EUR/USD	1.0685	0.0095
USD/CNH	7.2870	-0.1027
GBP/USD	1.2632	0.0016
EUR/GBP	0.8455	0.0062

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.46%
2 year swap	4.93%	4.17%
10 year Govt	4.69%	4.29%

## Big Trouble in Little China

Over the weekend, China stated that it had almost no more foreign direct investment in May than in April. It is still flowing in at a rate of about USD50 billion a month, but more alarming for Beijing is that this figure is 28% lower than the year ago level.

It isn't much better for domestic investment either, the first six months of this year have seen the total value of IPO's (excluding those in Hong Kong) plummet -84% on the year. Only 44 companies have gone public. In any other market this would be considered a major crash, so it is no surprise that the yuan has been weakening.

The government has been doing investment of its own, primarily in the EV sector. A study published by the

US-based Center for Strategic and International Studies, claims that China has spent USD230.8 billion in a decade to develop its own electric car industry. This figure represents 18.8% of the total electric car sales between 2009 to 2023. Although the ratio of the spending to EV sales has declined significantly in recent years, the EU still plans to impose tariffs on imports of Chinese EVs over the use of subsidies, while the US announced it was raising tariffs on Chinese EV imports by up to 100%.

## And to the data

Data releases have been largely second tier, and not too much involving New Zealand. But are as follows:

Canadian producer prices rose 1.8% in May, the highest reading since the beginning of this year.

South of the border, American existing home sales fell -0.7%. The US housing market has been like much of the rest of the developed world this year, in a slump.

Eurozone PMI's show their recovery is slowing. Their services sector is still expanding but their manufacturing sector is contracting at a slightly faster rate. Although the services sector does make up a far larger proportion of European GDP.

Looking ahead to the rest of the week: Tomorrow we have Canadian CPI and US consumer confidence. On Wednesday, Australian monthly CPI. On Thursday, Japanese retail sales and the final US Q1

GDP reading, along with jobless claims. We end the week on Friday with UK final Q1 GDP, Canadian GDP and US PCE – the later providing important clues as to the US inflation track and potential Fed cut(s) later in the year.

## Yen weakness on the radar

Markets continue to monitor yen weakness, with the USD/JPY nearing the 160.00 level – its highest in 35 years. The weakening slide increases the chances of further government intervention. Japan's top currency chief, Masato Kando, reiterated on Friday that the government will take proper action as needed. The yen weakness reflects persistent divergence in yields between Japan and its major peers, with Japanese policymakers so far failing to lay out a credible plan for normalising policy. Policymakers are suspected to have intervened when the USD/JPY briefly hit 160.17 in April. The NZD/JPY starts the week near 97.70.



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# Daily Rates

Monday 24 June 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.40					CAD	0.8364	0.9093
NZD/USD	0.6117	0.0000	0.0000	-0.0001	-0.0007	CHF	0.5458	0.5922
NZD/AUD	0.9215	-0.0008	-0.0024	-0.0044	-0.0072	CNY	4.4423	4.8206
NZD/JPY	97.755	-0.45	-1.36	-2.67	-5.06	DKK	4.2609	4.6271
NZD/EUR	0.5724	-0.0008	-0.0026	-0.0053	-0.0109	FJD	1.3495	1.4654
NZD/GBP	0.4841	-0.0001	-0.0003	-0.0008	-0.0018	HKD	4.7683	5.1780
						KRW	847.32	920.14
AU TWI	63.60					MYR	2.8773	3.1246
AUD/USD	0.6634	0.0005	0.0016	0.0029	0.0042	NOK	6.4408	6.9944
AUD/NZD	1.0856	0.0008	0.0026	0.0049	0.0077	SEK	6.4188	6.9704
AUD/JPY	106.02	-0.40	-1.22	-2.42	-4.73	SGD	0.8276	0.8987
AUD/EUR	0.6207	-0.0004	-0.0013	-0.0029	-0.0072	TWD	19.78	21.48
AUD/GBP	0.5249	0.0003	0.0009	0.0016	0.0021	ZAR	10.99	11.93
USD Index	105.83					<b>EQUITIES</b>		
EUR/USD	1.0685	0.0015	0.0047	0.0095	0.0190		<b>Index</b>	
USD/JPY	159.80	-0.73	-2.21	-4.29	-8.01	NZX50	11,682	
GBP/USD	1.2632	0.0002	0.0008	0.0016	0.0026	ASX200	7,796	
EUR/GBP	0.8455	0.0011	0.0030	0.0062	0.0128	Dow Jones	39,150	
						S&P 500	5,465	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,238	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,164	
30 day bank bills			5.60%		4.35%	Nikkei	38,596	
90 day bank bills			5.62%		4.46%	<b>COMMODITIES</b>		
1 year swap			5.40%		4.34%		<b>USD</b>	
2 year swap			4.95%		4.18%	Brent Crude	85.24	
3 year swap			4.66%		4.10%	Gold	2,320.35	
5 year swap			4.42%		4.22%	Silver	29.52	
10 year swap			4.45%		4.39%	Iron Ore	106.96	
3 year Govt bond			4.65%		3.97%	CRB Index	343.68	
5 year Govt bond			4.53%		4.02%		<b>NZD</b>	
10 year Govt bond			4.69%		4.31%	NZ Carbon	51.25	

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