

Market Alert

Thursday 11 July 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6083	0.0001
NZD/AUD	0.9015	-0.0033
NZD/JPY	98.385	-2.64
NZD/EUR	0.5617	-0.0049
NZD/GBP	0.4736	-0.0005
NZD/CNH	4.4349	-0.0558
AUD/USD	0.6747	0.0026
AUD/EUR	0.6229	-0.0031
EUR/USD	1.0827	0.0095
USD/CNH	7.2917	-0.0931
GBP/USD	1.2846	0.0015
EUR/GBP	0.8429	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.54%	4.51%
2 year swap	4.60%	4.29%
10 year Govt	4.66%	4.43%

Lordie lordie ... it's not coming home, is it?

I guess by the time you read this, we'll have a good idea! As the famous song goes ... "Pass the Dutchie 'pon the left hand side!"

This Governor's not for turning!

I've gone through and done a quick review of the RBNZ from their last 5 meetings, from November till yesterday ... hawkish, dovish, balanced, hawkish, and dovish!

To be fair, the first 2 sentences pretty well sum it all up, "Restrictive monetary policy has significantly reduced consumer price inflation, with the Committee expecting headline inflation to return to within the 1.0%-3.0% target range in the H2 of this year. The decline in inflation reflects

receding domestic pricing pressures, as well as lower inflation for goods and services imported into New Zealand." While the last sentence provided the hope, "The Committee agreed that monetary policy will need to remain restrictive. The extent of this restraint will be tempered over time consistent with the expected decline in inflation pressures." And as we all know ... where inflation goes, rates follow! Fingers crossed for next Wednesday's CPI, but currently, the market is pricing in 61bps of cuts by year end, with the NZ and US curves currently pricing in the same cutting cycles!

Apart from the local excitement, with swap rates in the short-end falling -17bps to -19bps and the NZD weakening -0.75%, financial markets were quiet ahead of tonight's US CPI release. US treasury yields were slightly lower with the 10-years off -1bps to 4.28%, while the USD-index and AUD were flat. Equity and commodity markets also had positive sessions.

Following yesterday's testimony to the Senate, Fed Chair Jerome Powell was due to speak to the House of Representatives, but he's essentially just submitted the same comments as yesterday.

BoE member, Catherine Mann, announced, "Wage growth is still far away from being consistent with our inflation target. Until I see some deceleration in services prices, I am not in a position to cut rates. 2.0% inflation is touch and go as inflation will be above 2.0% for the rest of the year."

The Chinese recovery remains fragile after annual inflation eased down to 0.2% from May's 0.3% and below estimates at 0.4%, while factory gate prices fell -0.8%.

Japanese PPIs firmed 0.2% in June, against forecasts at 0.4%, and at 2.9% on the year. It was the 41st straight month of expansion in producer inflation and the highest level since August 2023. Meanwhile, 'sources' at the BoJ project inflation will likely stay around its 2.0% target in the coming years.

It's only an opinion piece ...

... but it does make you think ...

The Goldman Sachs's chief economist has announced that Trump's proposed 10% tariff on all imports would lift US inflation by 1.1%, which would require a further 130bps of rate hikes, while a retaliation by the European Union would likely raise Euro-zone inflation by a benign 0.1%. But somewhat conversely, Goldman's Asset Management are projecting the Fed starts cutting rates in September, with a further 25bps each quarter.

An economist and emeritus business professor at the University of Maryland has penned a paper suggesting the FOMC should not cut rates as, "Fed policymakers appear to have lost touch with economic reality given the Federal deficit this year will be 6.7% of GDP, while inflation expectations are hardly anchored at 3.0%-4.0%. Given the elevated inflation expectations, the US neutral rate is likely in the 5.0%-6.0% range!" I guess it's all about getting your name in lights!



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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	72.00					CAD	0.8281 0.9189
NZD/USD	0.6083	0.0000	0.0000	0.0001	0.0003	CHF	0.5469 0.6069
NZD/AUD	0.9015	-0.0008	-0.0022	-0.0033	-0.0040	CNY	4.4245 4.9083
NZD/JPY	98.385	-0.47	-1.39	-2.64	-4.80	DKK	4.1890 4.6477
NZD/EUR	0.5617	-0.0008	-0.0025	-0.0049	-0.0092	FJD	1.3382 1.4848
NZD/GBP	0.4736	-0.0001	-0.0004	-0.0005	-0.0008	HKD	4.7499 5.2701
						KRW	840.88 932.98
AU TWI	64.40					MYR	2.8569 3.1697
AUD/USD	0.6747	0.0006	0.0016	0.0026	0.0030	NOK	6.5179 7.2317
AUD/NZD	1.1091	0.0009	0.0025	0.0037	0.0034	SEK	6.4128 7.1152
AUD/JPY	109.12	-0.43	-1.29	-2.55	-4.89	SGD	0.8200 0.9098
AUD/EUR	0.6229	-0.0004	-0.0013	-0.0031	-0.0076	TWD	19.83 22.00
AUD/GBP	0.5252	0.0003	0.0009	0.0013	0.0012	ZAR	11.02 12.23
USD Index	105.03					EQUITIES	
EUR/USD	1.0827	0.0015	0.0048	0.0095	0.0179		Index
USD/JPY	161.73	-0.78	-2.28	-4.38	-7.92	NZX50	11,943
GBP/USD	1.2846	0.0002	0.0008	0.0015	0.0020	ASX200	7,817
EUR/GBP	0.8429	0.0010	0.0031	0.0063	0.0121	Dow Jones	39,733
						S&P 500	5,621
INTEREST RATES			New Zealand		Australia	FTSE100	8,194
			Mid		Mid	DAX 30	18,407
30 day bank bills			5.60%		4.35%	Nikkei	41,832
90 day bank bills			5.54%		4.51%	COMMODITIES	
1 year swap			5.06%		4.45%		USD
2 year swap			4.62%		4.30%	Brent Crude	85.32
3 year swap			4.37%		4.20%	Gold	2,371.53
5 year swap			4.22%		4.33%	Silver	30.83
10 year swap			4.34%		4.50%	Iron Ore	110.51
3 year Govt bond			4.48%		4.14%	CRB Index	340.51
5 year Govt bond			4.42%		4.17%		NZD
10 year Govt bond			4.66%		4.45%	NZ Carbon	53.20

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