

Market Alert

Friday 12 July 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6094	0.0000
NZD/AUD	0.9020	-0.0033
NZD/JPY	96.785	-2.57
NZD/EUR	0.5608	-0.0048
NZD/GBP	0.4720	-0.0005
NZD/CNH	4.4283	-0.0573
AUD/USD	0.6755	0.0024
AUD/EUR	0.6215	-0.0033
EUR/USD	1.0864	0.0093
USD/CNH	7.2666	-0.0942
GBP/USD	1.2910	0.0011
EUR/GBP	0.8414	0.0062

INTR RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.55%	4.51%
2 year swap	4.55%	4.25%
10 year Govt	4.64%	4.46%

WHAT ...inflation turned negative?

100% true after US CPI inflation fell for the 3rd consecutive month falling -0.1% on the month to drag the annual rate down to 3.0%, while the core also generated better than expected results at 0.1% and 3.3%. Undoubtedly this will give the Fed confidence that inflation is on the path to sustainably reaching the 2% target, with speculation building the Fed may even cut 3-times this year, rather than the 2 currently priced in. Financial markets are now pricing 61bps of US cuts by year end, with the NZ market is pricing in 65bps, which seems a tad optimistic to me. Conversely, the Australian market is pricing in a 28% chance of a hike. Looking at the other US headlines, initial claims fell by -17k to 222k, continuing claims eased back by 6k to 1,852k, while the June budget

deficit improved to -USD66.0bn against the -USD83.0bn expected, which saw the budget deficit reached -USD1.27trn in the fiscal year to June.

There is no doubt that the US CPI had a profound, yet contradictory impact on markets overnight. In the currency markets, the JPY was the big beneficiary with USD/JPY falling from 161.70 to 158.80, while NZD/JPY fell to 96.75 and AUD/JPY crumbled to 107.30. But while the USD-index also fell -0.5%, the NZD/USD and AUD/USD both open this morning flat last night's Antipodean close, which is a little disappointing for importers given both pairs had strong rallies in the aftermath of the US release. US treasury bulls will also be happy after 2 and 10-years yields fell -12bps and -8bps to be at 4.52% and 4.20%, with the 10-years reaching its lowest level in 3-months as it approaches key support at 4.18%. European equity exchanges had a strong session overnight rallying 0.6%, although the US bourses performed poorly with the S&P down -1.0% and the NASDAQ -2.0%, while commodity markets also had a positive session with oil prices gaining 1.0%.

The AUD/USD reached a 6-month high despite the Melbourne Institute's survey of inflation expectations falling from 4.4% to 4.3%, while household spending increased 0.6% in June and 3.9% on the year.

New Zealand food prices firmed 1.0% in June, but fell -0.3% on the year, which is hopefully a positive sign for next week's

CPI print given food prices make up 19% of the index.

The GBP also reached a high, a 12-month high to be exact, after the UK economy grew 0.4% in May, which was twice the pace expected.

China announced more short-selling curbs with tighter scrutiny around programme trading with securities re-lending (where brokers borrow shares for clients to short) suspended while margin requirements will be raised for short-sellers from 80% to 100%.

The Bank of Korea left its base rate unchanged at 3.5%, with the surprise they dropped the phrase, "*The upside risks to inflation forecasts have increased*" from their statement.

St Louis Fed President, Alberto G. Musalem, announced, "*We are making progress on inflation. The job market is strong, but it has cooled in recent months. We want to see more improvement in supply conditions and to see general demand conditions moderate. The economy may be shifting into a higher-rate regime.*" San Fran Fed Pres, Mary Daly, then added, "*It's likely some policy adjustments will be warranted. Recent inflation prints a relief, but progress bumpy. The economy looks to be on path where 1 or 2 rate cuts this year would be 'more or less' the appropriate path.*"

What the ...?!?

Now I have seen it all ... Donald Trump is to speak at Bitcoin conference this month!



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 12 July 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.70					CAD	0.8305	0.9210
NZD/USD	0.6094	0.0000	0.0000	0.0000	-0.0001	CHF	0.5460	0.6054
NZD/AUD	0.9020	-0.0008	-0.0021	-0.0033	-0.0036	CNY	4.4213	4.9025
NZD/JPY	96.785	-0.46	-1.33	-2.57	-4.63	DKK	4.1828	4.6380
NZD/EUR	0.5608	-0.0008	-0.0024	-0.0048	-0.0091	FJD	1.3490	1.4958
NZD/GBP	0.4720	-0.0001	-0.0003	-0.0005	-0.0007	HKD	4.7564	5.2740
						KRW	835.86	926.83
AU TWI	64.50					MYR	2.8541	3.1647
AUD/USD	0.6755	0.0005	0.0015	0.0024	0.0025	NOK	6.5314	7.2422
AUD/NZD	1.1083	0.0009	0.0023	0.0037	0.0027	SEK	6.3961	7.0921
AUD/JPY	107.27	-0.42	-1.23	-2.49	-4.74	SGD	0.8181	0.9071
AUD/EUR	0.6215	-0.0004	-0.0013	-0.0033	-0.0077	TWD	19.74	21.89
AUD/GBP	0.5231	0.0003	0.0008	0.0013	0.0013	ZAR	10.97	12.16
USD Index	104.48					EQUITIES		
EUR/USD	1.0864	0.0015	0.0046	0.0093	0.0174		Index	
USD/JPY	158.82	-0.74	-2.17	-4.21	-7.59	NZX50	12,058	
GBP/USD	1.2910	0.0002	0.0008	0.0011	0.0010	ASX200	7,890	
EUR/GBP	0.8414	0.0010	0.0030	0.0062	0.0124	Dow Jones	39,772	
						S&P 500	5,589	
INTEREST RATES			New Zealand		Australia	FTSE100	8,223	
			Mid		Mid	DAX 30	18,535	
30 day bank bills			5.60%		4.35%	Nikkei	42,224	
90 day bank bills			5.55%		4.51%	COMMODITIES		
1 year swap			5.03%		4.42%		USD	
2 year swap			4.57%		4.26%	Brent Crude	85.73	
3 year swap			4.33%		4.14%	Gold	2,414.06	
5 year swap			4.20%		4.29%	Silver	31.45	
10 year swap			4.33%		4.47%	Iron Ore	108.74	
3 year Govt bond			4.43%		4.14%	CRB Index	341.39	
5 year Govt bond			4.38%		4.17%		NZD	
10 year Govt bond			4.64%		4.45%	NZ Carbon	53.00	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED