

Market Alert

Friday 16 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5989	0.0004
NZD/AUD	0.9060	-0.0022
NZD/JPY	89.235	-2.20
NZD/EUR	0.5458	-0.0042
NZD/GBP	0.4659	-0.0001
NZD/CNH	4.3012	-0.0641
AUD/USD	0.6608	0.0019
AUD/EUR	0.6022	-0.0032
EUR/USD	1.0973	0.0088
USD/CNH	7.1810	-0.1115
GBP/USD	1.2853	0.0008
EUR/GBP	0.8537	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.23%	4.39%
2 year swap	3.74%	3.79%
10 year Govt	4.22%	3.97%

The RBNZ's pivot was the right call ... it's just a pity that it took so long!

But now that the Governor has pivoted, everyone is jumping on the bandwagon with 23 of 25 economists now forecasting a 25bps rate cut in October. Of the remaining two, one is anticipating a 50bps rate cut, while the other is calling for an 'unchanged'. Looking at the November meeting, 23 out of the 25 economists are forecasting a further cut to generate a 4.75% OCR by year-end, with the other two expecting the OCR to be at 5.00%.

There is no doubt that the slowing domestic economy is weighing on the RBNZ's mind (at last), as per yesterday's retail sales release which saw purchases fall -0.1% on the month and -4.9% on the year, although the inflation issue isn't completely licked after food inflation

rose by 0.4% in July.

The RBNZ Governor was also doing the usual interviews post the MPS release, and also appeared in front of the Government's Finance and Expenditure Select Committee, which produced some verbal sparring with some of the local MPs. Needless to say, the key take-outs from Mr. Orr were, *"There's no U-turn. The current economic environment is weak (and the) economy is weaker than anticipated 6-months ago. We have strong control over the inflation story. There was no talk on committee of raising rates again. We are not done yet on inflation but definitely moving in the right direction. If inflation expectations are well anchored, we can look through some noise."*

We can all debate until we're blue in the face the U-turn, flip-flop, and credibility debate(s), but at the end of the day, the good news is there is some relief on it's the way!

There were also a few significant releases overnight ...

... so let's quickly bang them out!

US retail sales soared 1.0% in July, which was a lot higher than the forecasted 0.3%, driven by motor vehicle sales which is not surprising given initial claims fell to a 1-month low, falling -7k to 227k with continuing claims also falling -7k to 1.864m.

Chinese retail sales also expanded, to 2.7% against forecasts at 2.6%, while industrial production also surged, gaining 5.1% on the year.

In Europe, the Norwegian central bank, The Norges Bank, kept its key policy rate steady at a 16-year high of 4.50% for a 5th consecutive meeting, which was in line with market expectations, while the UK economy expanded 0.6% in Q2, following on from Q1's 0.7% gain.

Finally, there was yet another reason for New Zealanders to jump the ditch to Australia following yet another strong Australian employment release with, this time, another 58.2k jobs added to the economy, of which full-time employment rose by 60.5k. Despite this, the unemployment rate popped up to 4.2%, from 4.1%, while the participation rate spiked from 66.9% to 67.1% Against this, Australia inflation expectations also jumped higher, firming from 4.3% to 4.5%.

So what did it all mean?

It means the world is a great place ... once again!

Yes, you guessed it, global equity markets are a sea of green with the various individual indices firming between 1.0% and 3.0%, while commodity markets took their lead from the equity markets. Bond yields gapped higher, with the US 2 and 10-year yields firming 13bps and 8bps to yield 4.10% and 3.92%, which will see the local swaps market open higher, which probably markets some sense given the OIS market is now projecting 200bps of OCR cuts by next August! Yes, August 2025, not 2026! Finally, FX markets were quiet with the NZD flatlining, while the AUD made modest gains.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 16 August 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.70					CAD	0.8221	0.9075
NZD/USD	0.5989	0.0001	0.0002	0.0004	0.0010	CHF	0.5220	0.5764
NZD/AUD	0.9060	-0.0007	-0.0016	-0.0022	-0.0019	CNY	4.3093	4.7561
NZD/JPY	89.235	-0.40	-1.16	-2.20	-3.76	DKK	4.0706	4.4928
NZD/EUR	0.5458	-0.0007	-0.0022	-0.0042	-0.0074	FJD	1.3225	1.4597
NZD/GBP	0.4659	-0.0001	-0.0002	-0.0001	0.0009	HKD	4.6672	5.1513
						KRW	817.66	902.47
AU TWI	61.60					MYR	2.6522	2.9273
AUD/USD	0.6608	0.0006	0.0014	0.0019	0.0019	NOK	6.4346	7.1020
AUD/NZD	1.1035	0.0008	0.0018	0.0023	0.0000	SEK	6.3084	6.9627
AUD/JPY	98.48	-0.37	-1.11	-2.22	-4.05	SGD	0.7914	0.8734
AUD/EUR	0.6022	-0.0003	-0.0013	-0.0032	-0.0074	TWD	19.39	21.41
AUD/GBP	0.5141	0.0003	0.0007	0.0011	0.0014	ZAR	10.78	11.90
USD Index	103.01					EQUITIES		
EUR/USD	1.0973	0.0016	0.0047	0.0088	0.0164		Index	
USD/JPY	149.00	-0.69	-1.98	-3.77	-6.52	NZX50	12,711	
GBP/USD	1.2853	0.0005	0.0009	0.0008	-0.0006	ASX200	7,866	
EUR/GBP	0.8537	0.0009	0.0030	0.0061	0.0130	Dow Jones	40,521	
						S&P 500	5,545	
INTEREST RATES			New Zealand		Australia	FTSE100	8,347	
			Mid		Mid	DAX 30	18,183	
30 day bank bills			5.36%		4.34%	Nikkei	36,727	
90 day bank bills			5.23%		4.39%	COMMODITIES		
1 year swap			4.39%		4.00%		USD	
2 year swap			3.76%		3.81%	Brent Crude	80.81	
3 year swap			3.58%		3.69%	Gold	2,455.56	
5 year swap			3.59%		3.87%	Silver	28.28	
10 year swap			3.86%		4.12%	Iron Ore	99.20	
3 year Govt bond			3.73%		3.52%	CRB Index	327.68	
5 year Govt bond			3.79%		3.60%		NZD	
10 year Govt bond			4.22%		3.98%	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