

# Market Alert

Friday 23 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6135	0.0001
NZD/AUD	0.9154	-0.0023
NZD/JPY	89.735	-2.19
NZD/EUR	0.5524	-0.0043
NZD/GBP	0.4690	-0.0001
NZD/CNH	4.3851	-0.0696
AUD/USD	0.6700	0.0018
AUD/EUR	0.6033	-0.0032
EUR/USD	1.1105	0.0089
USD/CNH	7.1467	-0.1152
GBP/USD	1.3082	0.0005
EUR/GBP	0.8489	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	5.24%	4.42%
2 year swap	3.85%	3.72%
10 year Govt	4.27%	3.98%

## Apologies but I just can't do it!

As much as I love Kiwis doing well on the international stage, and the fact that once it gets going, I actually quite like the America's Cup, I just can't reconcile myself to the fact that New Zealand is defending the Cup in Spain. I wish them well ... but I just can't talk about it!

And while we're talking about Kiwis falling out with each other ... what's the real story with Leon, Razor? All Blacks in turmoil? I don't think so, but it's not a good look as they're about to step onto the plane for South Africa!

## Last night's session was all about the pause ...

... the pause ahead of tonight's speech by Jerome Powell. As far as Jackson Hole events go, we usually get a whole host

of speeches and off-the-cuff comments from all angles, but this event has been relatively quiet in that regard. We had a couple of comments last night with Philadelphia Fed President, Patrick Harker, providing a strong endorsement for a US rate cut stating, "I think it means this September we need to start a process of moving rates down. Right now, I'm not in the camp of 25bps or 50bps, I need to see a couple more weeks of data," while colleague Susan Collins added, "The labour market overall is quite healthy, and we want to preserve that. Unemployment is still low and jobless claims indicate an orderly rebalancing. A gradual, methodical pace of cuts once we are in a different policy stance is likely to be appropriate."

But wait ... yes, the Fed will start their cutting cycle imminently, but renowned economist Mohamed A. El-Erian thinks, "It is problematic in my mind that the market is pricing in so many rate cuts right now. The market is overdoing it." According to El-Erian, the Fed will cut rates by 75bps by the end of the year, and 150bps in total. Currently the market is pricing in 200bps of US cuts.

As far as financial markets were concerned, equities didn't like the narrative with most markets -0.3% to -1.0% lower. Commodities were mixed with oil prices bouncing back 1.3%, although metals and agris were lower. The USD-index bounced back to the 101.50 level, which saw the NZD and AUD weaken, while US Treasury yields continued their recovery with the 2 and

10-years firming 7bps and 6bps to yield 4.02% and 3.86%, respectively.

## Breaking the data down

US initial claims rose to a 3-week high at 232k, which was above expectations. We also saw the start of the monthly PMI releases with the US S&P composite PMIs easing to 54.1 in August, a four-month low, from July's 54.3. Japanese manufacturing PMIs rose from 49.1 to 49.5 as services went from 53.7 to 54.0, while the Australian manufacturing index firmed from 47.5 to 48.7 with services jumping from 50.4 to 52.2.

Speaking of Australia, a survey of 84 CFOs from Australia's top 200 companies highlighted that, "private sector has entered an external hiring freeze. We expect 100k extra unemployed within the next 12-months, and the unemployment rate expected to rise to 4.5%." It sounds bad, but when you take into the fact that broadly 50k Australians are becoming full-time workers each month, it's not actually that bad.

For the record, the Bank of Korea left its key base rate unchanged at 3.50%, as expected.

Finally, in a paper titled 'The AUD: Working hard, hardly working,' Goldmans recommended selling the AUD as a hedge against equity weakness.



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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	70.90					CAD	0.8348	0.9122
NZD/USD	0.6135	0.0001	0.0002	0.0001	-0.0001	CHF	0.5228	0.5713
NZD/AUD	0.9154	-0.0006	-0.0015	-0.0023	-0.0026	CNY	4.3826	4.7878
NZD/JPY	89.735	-0.40	-1.14	-2.19	-3.83	DKK	4.1203	4.5011
NZD/EUR	0.5524	-0.0007	-0.0022	-0.0043	-0.0086	FJD	1.3411	1.4651
NZD/GBP	0.4690	-0.0001	-0.0002	-0.0001	0.0005	HKD	4.7819	5.2240
						KRW	822.48	898.52
AU TWI	62.20					MYR	2.6838	2.9319
AUD/USD	0.6700	0.0006	0.0013	0.0018	0.0016	NOK	6.5030	7.1042
AUD/NZD	1.0922	0.0007	0.0017	0.0025	0.0018	SEK	6.2876	6.8689
AUD/JPY	98.01	-0.37	-1.09	-2.16	-3.93	SGD	0.8043	0.8786
AUD/EUR	0.6033	-0.0004	-0.0014	-0.0032	-0.0073	TWD	19.63	21.45
AUD/GBP	0.5121	0.0002	0.0006	0.0011	0.0018	ZAR	11.05	12.07
USD Index	101.56					<b>EQUITIES</b>		
EUR/USD	1.1105	0.0016	0.0047	0.0089	0.0156		<b>Index</b>	
USD/JPY	146.26	-0.66	-1.91	-3.61	-6.22	NZX50	12,469	
GBP/USD	1.3082	0.0004	0.0008	0.0005	-0.0016	ASX200	8,027	
EUR/GBP	0.8489	0.0009	0.0030	0.0064	0.0129	Dow Jones	40,648	
						S&P 500	5,570	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,288	
			<b>Mid</b>		<b>Mid</b>	DAX 30	18,493	
30 day bank bills			5.36%		4.34%	Nikkei	38,211	
90 day bank bills			5.24%		4.42%	<b>COMMODITIES</b>		
1 year swap			4.49%		4.04%		<b>USD</b>	
2 year swap			3.87%		3.73%	Brent Crude	77.07	
3 year swap			3.66%		3.62%	Gold	2,482.55	
5 year swap			3.64%		3.81%	Silver	28.92	
10 year swap			3.89%		4.08%	Iron Ore	98.38	
3 year Govt bond			3.85%		3.53%	CRB Index	324.85	
5 year Govt bond			3.88%		3.61%		<b>NZD</b>	
10 year Govt bond			4.27%		3.97%	NZ Carbon	60.10	

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