

Market Alert

Monday 26 August 2024

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6234 | 0.0001 |
| NZD/AUD | 0.9180 | -0.0023 |
| NZD/JPY | 90.010 | -2.17 |
| NZD/EUR | 0.5570 | -0.0044 |
| NZD/GBP | 0.4718 | -0.0001 |
| NZD/CNH | 4.3951 | -0.0701 |
| AUD/USD | 0.6788 | 0.0017 |
| AUD/EUR | 0.6065 | -0.0034 |
| EUR/USD | 1.1190 | 0.0088 |
| USD/CNH | 7.1137 | -0.1130 |
| GBP/USD | 1.3209 | 0.0003 |
| EUR/GBP | 0.8467 | 0.0063 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 5.25% | 4.35% |
| 90 day bills | 5.24% | 4.40% |
| 2 year swap | 3.86% | 3.72% |
| 10 year Govt | 4.28% | 4.01% |

Hats off to Lydia Ko ...

... and a huge congratulations on winning the Women's British Open! In fact, August has been quite a month for her with the Olympic gold and now a major. But it doesn't stop there for New Zealand as tennis player Lulu Sun made her first WETA final, while I have every confidence our Paralympians will win bucket loads of medals as well. It was also an emotional Friday with Shaun Johnson's farewell, and well done to Lando Norris on winning the Dutch GP. It's just a shame we can't talk about the sailing!

Last week was all about Jerome Powell ...

... and he didn't disappoint with his Jackson Hole speech laying the groundwork for the commencement of the US rate

cutting cycle, although he didn't provide any indications on the timing or extent of the cutting cycle. Mr. Powell confirmed, *"The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks. My confidence has grown that inflation is on a sustainable path back to 2.0%. We do not seek or welcome further cooling in labour market. We will do everything we can to support a strong labour market as we make further progress toward price stability."*

The final confirmation from the Fed Chair was the last piece of the jigsaw that speculators were looking for, driving the USD-index down -0.75%, which saw the NZD and AUD pop higher to their key-resistance levels, while the EUR, GBP, CNH and the JPY all had positive sessions. US treasury yields also dipped lower, with the 2- and 10-year falling -10bps and -5bps to 3.92% and 3.80%, respectively, with the steepening bias firmly in place. Equity markets liked the news with the European and US bourses up 0.75%-1.25%, as did the energy commodity products, with oil rallying 2.50%, although wheat, coal, steel and iron ore all sold off.

We also had Fed member Austan Goolsbee announce, *"The Fed needs to focus now on job mandates. The size of the rate cut isn't what matters most, the path is the key."*

ECB chief economist Philip Lane also spoke at Jackson Hole warning that while

the central bank is making "good progress" in cutting inflation, success is not assured stating, *"The return to target is not yet secure. The monetary stance will have to remain in restrictive territory for as long as needed to shepherd the disinflation process toward a timely return to the target,"* while ECB colleague Robert Holzmann added, *"A September cut isn't a foregone conclusion."*

BoE Governor Andrew Bailey warned, *"More restrictive policy could still be needed due to labour market shocks."*

This week will provide confirmation

... as to whether Friday's adjustments will consolidate into their new ranges, or whether the markets' reactions were an exaggeration given Jerome Powell merely confirmed what we already knew. No doubt this week's data releases will play a part in that confirmation, but, as part of that process, today the PBoC will update their 1-year medium-term lending rate. Beyond that, a certain focus will remain on the US with the PCE inflation update the main highlight, while we also have a Q2 GDP update, Chicago PMIs and personal spending data. We also have a Eurozone inflation update, economic confidence, and unemployment, as well as Japanese inflation and Canadian GDP. In Australia we also have an inflation update, retail sales, and private business capex, while in NZ we have business and consumer confidence, and employment.



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Daily Rates

Monday 26 August 2024

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 71.00 | | | | | CAD | 0.8418 | 0.9180 |
| NZD/USD | 0.6234 | 0.0001 | 0.0002 | 0.0001 | -0.0002 | CHF | 0.5285 | 0.5747 |
| NZD/AUD | 0.9180 | -0.0006 | -0.0016 | -0.0023 | -0.0024 | CNY | 4.4376 | 4.8327 |
| NZD/JPY | 90.010 | -0.40 | -1.15 | -2.17 | -3.79 | DKK | 4.1542 | 4.5241 |
| NZD/EUR | 0.5570 | -0.0007 | -0.0022 | -0.0044 | -0.0083 | FJD | 1.3521 | 1.4725 |
| NZD/GBP | 0.4718 | -0.0001 | -0.0002 | -0.0001 | 0.0005 | HKD | 4.8588 | 5.2914 |
| | | | | | | KRW | 824.89 | 898.34 |
| AU TWI | 62.10 | | | | | MYR | 2.7251 | 2.9677 |
| AUD/USD | 0.6788 | 0.0006 | 0.0013 | 0.0017 | 0.0012 | NOK | 6.5113 | 7.0911 |
| AUD/NZD | 1.0890 | 0.0007 | 0.0018 | 0.0024 | 0.0018 | SEK | 6.3313 | 6.8950 |
| AUD/JPY | 98.13 | -0.37 | -1.09 | -2.14 | -3.91 | SGD | 0.8105 | 0.8827 |
| AUD/EUR | 0.6065 | -0.0007 | -0.0014 | -0.0034 | -0.0076 | TWD | 19.78 | 21.55 |
| AUD/GBP | 0.5136 | 0.0003 | 0.0007 | 0.0011 | 0.0018 | ZAR | 11.04 | 12.02 |
| USD Index | 100.68 | | | | | EQUITIES | | |
| EUR/USD | 1.1190 | 0.0016 | 0.0047 | 0.0088 | 0.0158 | | Index | |
| USD/JPY | 144.37 | -0.65 | -1.85 | -3.48 | -6.06 | NZX50 | 12,530 | |
| GBP/USD | 1.3209 | 0.0004 | 0.0007 | 0.0003 | -0.0024 | ASX200 | 8,024 | |
| EUR/GBP | 0.8467 | 0.0010 | 0.0030 | 0.0063 | 0.0133 | Dow Jones | 41,175 | |
| | | | | | | S&P 500 | 5,634 | |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 8,328 | |
| | | | Mid | | Mid | DAX 30 | 18,633 | |
| 30 day bank bills | | | 5.36% | | 4.35% | Nikkei | 38,364 | |
| 90 day bank bills | | | 5.24% | | 4.40% | COMMODITIES | | |
| 1 year swap | | | 4.49% | | 4.00% | | USD | |
| 2 year swap | | | 3.87% | | 3.73% | Brent Crude | 79.02 | |
| 3 year swap | | | 3.67% | | 3.56% | Gold | 2,510.33 | |
| 5 year swap | | | 3.65% | | 3.74% | Silver | 29.82 | |
| 10 year swap | | | 3.91% | | 4.02% | Iron Ore | 98.05 | |
| 3 year Govt bond | | | 3.85% | | 3.57% | CRB Index | 329.68 | |
| 5 year Govt bond | | | 3.89% | | 3.65% | | NZD | |
| 10 year Govt bond | | | 4.28% | | 4.02% | NZ Carbon | 60.55 | |

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