

Market Alert

Thursday 08 August 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5995	-0.0006
NZD/AUD	0.9196	-0.0033
NZD/JPY	88.065	-2.31
NZD/EUR	0.5489	-0.0050
NZD/GBP	0.4725	-0.0007
NZD/CNH	4.3003	-0.0758
AUD/USD	0.6519	0.0016
AUD/EUR	0.5968	-0.0034
EUR/USD	1.0922	0.0086
USD/CNH	7.1722	-0.1182
GBP/USD	1.2689	0.0004
EUR/GBP	0.8605	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.43%	4.44%
2 year swap	4.13%	3.87%
10 year Govt	4.39%	4.17%

Jobs

Domestic unemployment rose 0.2% to 4.6% in the June quarter, but despite being below expectations of 4.7%, it was still the worst reading in three years. While employment rose, it failed to keep pace with a growing work force as participation also rose 0.2% to 71.7%. The underutilisation rate, which measures anyone who wants more work than they have, i.e. part timers wanting full time, rose 0.6% to 11.8%, also a three-year high. Despite this, wage growth rose above expectations at a rate of 1.2% for the quarter, largely driven by front-line public sector wages. Private sector wages were weaker, coming in at 0.9% for the quarter.

Although the print was poor, expectations were more dire sending local swap rates up around 10 bps across the curve as traders reduced the odds of a RBNZ cut at its impending meeting next week. The currency also jumped from around 0.5960 to be now sitting just under the 0.6000 level, breaching it yesterday afternoon before retracing slightly.

Easy now

After the volatility across all markets over the past couple of days, largely due to the BOJ's unexpected interest rate hike at its last meeting, BOJ Deputy Governor, Shinchi Uchida, tried to give some reassurance to markets overnight, stating that "*We won't raise interest rates when financial markets are unstable*". The BOJ may not always do what they say, but the markets appeared to believe Uchida. This sent the yen sliding against its major currency pairs, with the USD/JPY up 1.8% overnight to be at 146.93, while the NZD/JPY is up 2.5% to be at 88.08.

In China, exports came in slightly below expectations to print at 7.0% on the year while, imports came in well above expectations, with a 3.5% increase, to print at 7.2% on the year. This is encouraging after June's -2.3% fall, and hopefully means that there are some green shoots in the Chinese economy. This is ultimately good news for New Zealand's economy and will hopefully help local exporters wade through the current rough waters.

Panic over

After all the pandemonium in stock markets earlier this week, major indexes have largely rebounded across the board. The S&P 500 rallied 1.0%, boosted by gains in all 11 of the index sectors, the Dow added 0.8% and the Nasdaq was up 1.0%. Even Japan's Nikkei 225, which had suffered its worst day since "Black Monday" in 1987 nearly made up its shortfall with a 10% daily gain, after losing 12% the day before.

While all this was occurring, JP Morgan Chase CEO, Jamie Dimon, said he still believes that the odds of a soft landing for the economy are around 35% to 40%, making a recession the more likely outcome. Given the massive drops in interest rates this last week, the market appears to agree with him! Dimon added he is "*a little bit of a skeptic*" that the Federal Reserve can bring inflation down to its 2.0% target because of future spending on the green economy and military.

Finally, today we have the inflation expectations survey from the RBNZ, this is a survey of forecasters, economists and industry leaders, on where they believe inflation will be in different time periods into future. It is a good barometer for the inflation path in New Zealand, and the monetary policy committee will be keeping a close eye on the expectations.



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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	70.20					CAD	0.8239	0.8962
NZD/USD	0.5995	0.0000	-0.0001	-0.0006	-0.0013	CHF	0.5164	0.5617
NZD/AUD	0.9196	-0.0008	-0.0020	-0.0033	-0.0033	CNY	4.3148	4.7012
NZD/JPY	88.065	-0.41	-1.23	-2.31	-3.98	DKK	4.0947	4.4541
NZD/EUR	0.5489	-0.0008	-0.0025	-0.0050	-0.0092	FJD	1.3288	1.4455
NZD/GBP	0.4725	-0.0002	-0.0004	-0.0007	-0.0006	HKD	4.6732	5.0833
						KRW	824.17	896.51
AU TWI	61.30					MYR	2.6921	2.9283
AUD/USD	0.6519	0.0005	0.0013	0.0016	0.0008	NOK	6.4787	7.0474
AUD/NZD	1.0871	0.0009	0.0023	0.0034	0.0028	SEK	6.2862	6.8380
AUD/JPY	95.72	-0.37	-1.13	-2.20	-4.04	SGD	0.7953	0.8651
AUD/EUR	0.5968	-0.0004	-0.0014	-0.0034	-0.0081	TWD	19.58	21.29
AUD/GBP	0.5137	0.0002	0.0006	0.0010	0.0010	ZAR	11.03	12.00
USD Index	103.18					EQUITIES		
EUR/USD	1.0922	0.0016	0.0047	0.0086	0.0156		Index	
USD/JPY	146.89	-0.68	-2.01	-3.71	-6.34	NZX50	12,326	
GBP/USD	1.2689	0.0004	0.0008	0.0004	-0.0018	ASX200	7,700	
EUR/GBP	0.8605	0.0009	0.0031	0.0064	0.0130	Dow Jones	38,764	
						S&P 500	5,221	
INTEREST RATES			New Zealand		Australia	FTSE100	8,167	
			Mid		Mid	DAX 30	17,615	
30 day bank bills			5.45%		4.35%	Nikkei	35,090	
90 day bank bills			5.43%		4.44%	COMMODITIES		
1 year swap			4.70%		4.13%		USD	
2 year swap			4.14%		3.88%	Brent Crude	78.48	
3 year swap			3.92%		3.76%	Gold	2,385.90	
5 year swap			3.88%		3.97%	Silver	26.66	
10 year swap			4.07%		4.25%	Iron Ore	102.86	
3 year Govt bond			4.07%		3.70%	CRB Index	323.01	
5 year Govt bond			4.05%		3.78%		NZD	
10 year Govt bond			4.39%		4.16%	NZ Carbon	54.25	

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