

Market Alert

Monday 30 September 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6341	-0.0003
NZD/AUD	0.9186	-0.0008
NZD/JPY	90.160	-1.99
NZD/EUR	0.5680	-0.0041
NZD/GBP	0.4741	0.0004
NZD/CNH	4.4123	-0.0594
AUD/USD	0.6902	0.0001
AUD/EUR	0.6182	-0.0043
EUR/USD	1.1163	0.0073
USD/CNH	6.9801	-0.0903
GBP/USD	1.3373	-0.0022
EUR/GBP	0.8344	0.0065

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.90%	4.49%
2 year swap	3.55%	3.59%
10 year Govt	4.33%	4.06%

What a weekend!

The sun was out, there was some rugby, we now know who's in the finals of the league, the AFL was interesting from a novice's perspective, although it was a tough loss to take at the netball and let's not mention the cricket. And with the footy season now finished, it was great to catch up with the boys for the end-of-season dinner!

The weekend's US PCE inflation print ...

... continued the trend of lower inflation after it printed at 0.1% for the month, and at 2.2% for the year. The core printed at 0.1% and 2.7%. The other releases also added to the consensus of a cooling economy, reinforcing expectations that the Fed is on track for more rate cuts in

the coming months, after both personal income and personal spending increased 0.2% on the month, against forecasts at 0.4% and 0.3%, respectively. Finally, the University of Michigan inflation projections were broadly in line with the 1-year at 2.7% and the 5-years at 3.1%, while consumer sentiment was revised higher to 70.1 in September, its highest print in 5-months, from a preliminary print at 69.0.

St Louis Fed President, Alberto Musalem, confirmed the US rate cuts were about "easing off the brake at this stage. Its about making monetary policy gradually less restrictive," adding the US economy could react "very rigorously" to looser financial conditions, but downside risks are present too.

The PBoC continued its cutting spree, lowering the cost of its standard lending facilities ("SLF") by 20bps across all tenors. The SLF facilities are, I believe, another form of inter-bank borrowing facilities, with cuts to the overnight, seven-day and one-month facility, to lower the rate(s) to 2.35%, 2.50% and 2.85%, respectively.

While the news was 'lite' the markets' reaction certainly wasn't with European and Asian equity markets posting solid gains in the 0.5%-2.0% region, although US markets were benign. Commodity markets were 'mixed', although the real action was in the currency markets where, once again, the USD-index flirted with both the top and bottom of its current 100.15 - 101.00 range. Ultimately the USD-index closed in the lower half of

its range, which saw the NZD/USD and AUD/USD rally to challenge/make new highs. This will likely be enough to establish new, higher ranges for both. The JPY also had a spectacular session on Friday establishing new short-term lows before recovering. There was also a correction in bond markets after yields finally reversed some of their recent gains with the 2-years easing -7bps, while the 10-years fell -5bps, which will put more pressure on the local curve, especially the short-end.

The week ahead

Following Friday's PCE print, the focus will remain on the US this week with Friday's non-farm payroll and employment releases, while we also have the JOLTS job openings, ISM manufacturing and service PMIs, and factory orders. We also have various speeches by members of the FOMC, including a speech by Chair Jerome Powell. Beyond the US, we have the latest inflation updates from Germany, the Eurozone, South Korea, and Switzerland. Japan will provide its latest updates on industrial production, retail sales, unemployment, consumer confidence, and the Tankan Manufacturers Index. China will release both of the PMI indexes, its NBS and Caixin reports while from Australia, the focus will be on trade, home credit, retail sales, and building permits for August. From New Zealand we have business confidence, the NZIER business survey, and an update on commodity prices.



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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	71.70					CAD	0.8567	0.9325
NZD/USD	0.6341	0.0000	0.0000	-0.0003	-0.0005	CHF	0.5329	0.5798
NZD/AUD	0.9186	-0.0005	-0.0008	-0.0008	-0.0001	CNY	4.4468	4.8482
NZD/JPY	90.160	-0.38	-1.15	-1.99	-3.48	DKK	4.2342	4.6096
NZD/EUR	0.5680	-0.0007	-0.0022	-0.0041	-0.0083	FJD	1.3640	1.4849
NZD/GBP	0.4741	0.0000	0.0002	0.0004	0.0011	HKD	4.9275	5.3643
						KRW	829.46	902.99
AU TWI	62.70					MYR	2.6133	2.8450
AUD/USD	0.6902	0.0003	0.0005	0.0001	-0.0016	NOK	6.6300	7.2177
AUD/NZD	1.0885	0.0004	0.0006	0.0002	-0.0032	SEK	6.3898	6.9562
AUD/JPY	98.07	-0.37	-1.18	-2.13	-3.91	SGD	0.8120	0.8839
AUD/EUR	0.6182	-0.0005	-0.0019	-0.0043	-0.0098	TWD	20.02	21.79
AUD/GBP	0.5160	0.0003	0.0006	0.0007	0.0006	ZAR	10.84	11.81
USD Index	100.42					EQUITIES		
EUR/USD	1.1163	0.0014	0.0041	0.0073	0.0145		Index	
USD/JPY	142.19	-0.60	-1.80	-3.06	-5.27	NZX50	12,457	
GBP/USD	1.3373	0.0000	-0.0005	-0.0022	-0.0056	ASX200	8,212	
EUR/GBP	0.8344	0.0011	0.0032	0.0065	0.0140	Dow Jones	42,313	
						S&P 500	5,738	
INTEREST RATES			New Zealand		Australia	FTSE100	8,321	
			Mid		Mid	DAX 30	19,474	
30 day bank bills			5.13%		4.35%	Nikkei	39,830	
90 day bank bills			4.90%		4.49%	COMMODITIES		
1 year swap			4.07%		3.95%		USD	
2 year swap			3.57%		3.60%	Brent Crude	71.98	
3 year swap			3.46%		3.51%	Gold	2,657.97	
5 year swap			3.54%		3.73%	Silver	31.62	
10 year swap			3.88%		4.03%	Iron Ore	92.98	
3 year Govt bond			3.69%		3.55%	CRB Index	339.83	
5 year Govt bond			3.83%		3.64%		NZD	
10 year Govt bond			4.33%		4.05%	NZ Carbon	62.60	

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