

Market Alert

Tuesday 01 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6348	-0.0001
NZD/AUD	0.9185	-0.0006
NZD/JPY	91.290	-2.03
NZD/EUR	0.5702	-0.0042
NZD/GBP	0.4749	0.0004
NZD/CNH	4.4479	-0.0582
AUD/USD	0.6911	0.0002
AUD/EUR	0.6208	-0.0043
EUR/USD	1.1131	0.0076
USD/CNH	7.0072	-0.0898
GBP/USD	1.3367	-0.0019
EUR/GBP	0.8326	0.0067

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.87%	4.48%
2 year swap	3.55%	3.63%
10 year Govt	4.36%	4.07%

The original 'Star is Born'!

Well not quite as there was the 1937 version, but the 1976 version had Country and Western crooner Kris Kristofferson in the role, although personally, I liked him best from the *Blade* movies ... nothing is better than a vampire chasing you through a dark city ... or in other words, downtown Auckland at 2:00am on a Sunday morning! Unfortunately, Kris passed away, RIP Kris ... a cool dude, and man, he had great hair!

As I type, Jerome Powell is answering questions ...

... at a Q&A session following a speech. The Fed Chair didn't disclose anything new, but there was something new. The speech confirmed, "*The 50bps cut reflects growing confidence that an appropriate*

policy calibration can maintain labour market strength. We do not need to see further a cooling in the labour market to achieve target. The economy is in solid shape, we intend to use our tools to keep it there. Disinflation is broad based; recent data indicates further progress towards a sustained return to 2.0%. Housing services inflation will continue to decline as long as growth rate in rents for new tenants remains low."

But in the Q&A young Jerome referenced that a downside risk to GDP could be a revision to GDI, which made me wonder, what's GDI? Well ... its Gross Domestic Income, an indicator that assesses economic activity based on income, which was recently revised higher. He then added, "*The Fed is not in a hurry to cut rates quickly, we will be guided by data. The rate cut process will play out over some time, with no need to go fast. If the economy evolves as expected, it will mean two more cuts this year, totalling 50 bps. The half-point cut in September was a reflection in inflation's return to 2.0%.*"

These last comments saw Treasury yields and the USD-start to recover from what had been a weak session. As I type, the US 2 and 10-year yields are 9bps and 5bps higher at 3.66% and 3.80% respectively, while the USD-index is closing in on the 101.00 level. This has seen the NZD/USD and AUD/USD fall after they topped out at 0.6379 and 0.6942, while they have both made gains on the crosses, especially against the JPY which weakened -1.0% across the board.

Equity markets didn't react well to the

news, although most indices were lower ahead of the speech, with most bourses -0.5% to -1.5% lower, with the Shanghai exchange the outlier rallying 8.0% overnight following on from last week's stimulus. Commodity markets were flat, although gold, silver and copper all eased -1.0%.

Breaking the other data down ...

German inflation fell from 1.9% to 1.6% in September, its lowest level since February 2021 and below forecasts at 1.7%, while Germany's government is expecting no growth at all this year. Japanese retail sales rose by 2.8%, above market expectations of 2.3% and last month's upwardly revised 2.7%.

The Chinese Caixin manufacturing PMI unexpectedly fell to 49.3 from August's 50.4, in what was the steepest contraction since July 2023. Conversely, the official NBS manufacturing PMI firmed to 49.8, up from August's 6-month low of 49.1. Non-manufacturing PMIs were at 50.0. Officially, Chinese youth unemployment hit 18.8%, near its all-time high, but some estimates put the real youth unemployment rate at 46.5%.

This is getting ridiculous ... really, after 1 cut? NZ business outlook index surged from 50.6 to 60.9 in September to reach its highest level since April 2014. Meanwhile, the expected own activity index jumped from 37.1 in August to 45.3, while the past activity index also improved from -23.1 to -18.5.



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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	72.00					CAD	0.8587	0.9349
NZD/USD	0.6348	0.0001	0.0001	-0.0001	-0.0001	CHF	0.5373	0.5851
NZD/AUD	0.9185	-0.0004	-0.0007	-0.0006	0.0012	CNY	4.4640	4.8672
NZD/JPY	91.290	-0.42	-1.15	-2.03	-3.47	DKK	4.2506	4.6283
NZD/EUR	0.5702	-0.0007	-0.0021	-0.0042	-0.0080	FJD	1.3655	1.4869
NZD/GBP	0.4749	0.0000	0.0002	0.0004	0.0016	HKD	4.9331	5.3723
						KRW	835.78	910.05
AU TWI	62.80					MYR	2.6152	2.8480
AUD/USD	0.6911	0.0004	0.0006	0.0002	-0.0011	NOK	6.7001	7.2955
AUD/NZD	1.0882	0.0004	0.0006	0.0002	-0.0023	SEK	6.4469	7.0209
AUD/JPY	99.38	-0.41	-1.19	-2.15	-3.93	SGD	0.8157	0.8882
AUD/EUR	0.6208	-0.0005	-0.0018	-0.0043	-0.0097	TWD	20.14	21.94
AUD/GBP	0.5169	0.0003	0.0005	0.0007	0.0009	ZAR	10.96	11.94
USD Index	100.84					EQUITIES		
EUR/USD	1.1131	0.0015	0.0041	0.0076	0.0156		Index	
USD/JPY	143.83	-0.67	-1.83	-3.14	-5.46	NZX50	12,424	
GBP/USD	1.3367	0.0000	-0.0003	-0.0019	-0.0049	ASX200	8,270	
EUR/GBP	0.8326	0.0011	0.0032	0.0067	0.0145	Dow Jones	42,205	
						S&P 500	5,730	
INTEREST RATES			New Zealand		Australia	FTSE100	8,237	
			Mid		Mid	DAX 30	19,325	
30 day bank bills			5.10%		4.35%	Nikkei	37,920	
90 day bank bills			4.87%		4.48%	COMMODITIES		
1 year swap			4.08%		3.98%		USD	
2 year swap			3.57%		3.65%	Brent Crude	71.76	
3 year swap			3.47%		3.57%	Gold	2,630.00	
5 year swap			3.55%		3.79%	Silver	31.10	
10 year swap			3.89%		4.09%	Iron Ore	92.98	
3 year Govt bond			3.72%		3.53%	CRB Index	338.78	
5 year Govt bond			3.86%		3.62%		NZD	
10 year Govt bond			4.36%		4.04%	NZ Carbon	62.15	

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