

Market Alert

Friday 04 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6216	0.0002
NZD/AUD	0.9083	-0.0001
NZD/JPY	91.260	-1.98
NZD/EUR	0.5635	-0.0040
NZD/GBP	0.4738	0.0006
NZD/CNH	4.3811	-0.0534
AUD/USD	0.6842	0.0002
AUD/EUR	0.6203	-0.0044
EUR/USD	1.1030	0.0078
USD/CNH	7.0473	-0.0880
GBP/USD	1.3119	-0.0015
EUR/GBP	0.8407	0.0069

INT RATES	NZ	Australia
OCR/Cash	5.25%	4.35%
90 day bills	4.80%	4.47%
2 year swap	3.54%	3.70%
10 year Govt	4.38%	4.09%

While the data was mixed ...

... financial markets had a substantial 'risk-off' session after US President Joe Biden forgot the golden rule of war ... don't tell them what you're going to do! When asked whether the US would support an Israeli strike on Iranian oil facilities, President Biden confirmed, "We're discussing that. I think that would be a little - anyway" adding, "nothing's going to happen today." This saw oil futures spike 5.4% and the USD-index and US Treasury yields surge higher, while equity markets sold off.

Breaking it all down, the USD-index broke through resistance to reach a 6-week high at 101.95, which saw the EUR, AUD and NZD all fall with the NZD the worst performer dropping -0.8%. This saw the NZD/AUD drop to the 0.9075 level, the GBP was also sold after BoE Governor Andrew Bailey stated the central bank may become "a

bit more activist" i.e. aggressive, in cutting rates if news on inflation remains good, while the Yen strengthened on the crosses after Japanese Chief Cabinet Secretary Hayashi confirmed, "PM Ishiba didn't request any special policy from BoJ Governor Ueda when they met at their Wednesday meeting."

Former Fed member Bill Dudley announced, "I was too pessimistic about the risks of a so-called hard landing. With a soft landing, the Fed would presumably move policy to neutral, not accommodative. In a soft-landing scenario, I'd expect the Fed Funds rate to bottom out no lower than 3.50%." This saw US Treasury yields gap higher with the 2 and 10-years firming 6bps to be at 3.71% and 3.85% respectively, while the Andrew Bailey comment saw the UK markets price in a stronger cutting cycle with a full 25bps cut priced in for November, with the odds further 25bps cut in December increasing from 40% to 70%.

The surging oil price supported all of the energy commodities, while steel also had a strong session rallying 6.8%, although copper prices fell -2.2%. Finally, as has been the trend over the last few days, equity markets were all lower, falling -0.5% to -1.5%.

Breaking the data down ...

US services PMIs surged from 51.5 to 54.9 in September, which was a lot higher than forecasts at 51.7, while initial jobless claims rose by 6k to 225k, which saw continuing claims ease by 1k to 1,826k. New manufacturing orders eased by -0.2% from the prior month to

USD590.4bn, while Fed member Austin Goolsbee suggested, "As the dockworkers strike was predicted, retailers have been stockpiling, they have about 2 weeks of stuff, after that we will start to see more of an effect."

Eurozone producer prices increased 0.6% on the month following July's downwardly revised 0.7%, while Japanese PMIs were finalised lower at 53.1 for services, 49.6 for manufacturing, with the composite at 52.0

The Australian August trade surplus exceeded expectations reaching AUD5.64bn verse the forecast AUD5.50bn, although it unchanged from July's downwardly revised figure. Meanwhile the final September PMIs were confirmed at 46.7 for manufacturing, 50.6 for services, with the composite at 49.6 "confirming sluggish economic growth, similar to the initial flash release."

The NZ commodity price index firmed 1.8% in September, although in NZD terms the index fell 0.2% as the NZD lifted 1.0%.

Following last week's Chinese stimulus package, Nomura Bank warned, "What has happened in the past week has already reminded us of the epic bubble and burst in 2015. China's current economic fundamentals are still weak, a more sober assessment is required."

While this day will be known as the day the Germany re-united in 1990, for me, the German reunification was all about the New Years eve party when David Hasselhoff sung 'Looking for Freedom' from the Berlin wall!



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Daily Rates

Friday 04 October 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.20					CAD	0.8420	0.9272
NZD/USD	0.6216	0.0001	0.0003	0.0002	0.0007	CHF	0.5299	0.5835
NZD/AUD	0.9083	-0.0003	-0.0004	-0.0001	0.0020	CNY	4.3635	4.8050
NZD/JPY	91.260	-0.36	-1.08	-1.98	-3.43	DKK	4.2028	4.6268
NZD/EUR	0.5635	-0.0006	-0.0019	-0.0040	-0.0075	FJD	1.3482	1.4842
NZD/GBP	0.4738	0.0001	0.0003	0.0006	0.0017	HKD	4.8264	5.3134
						KRW	830.34	914.10
AU TWI	62.90					MYR	2.6215	2.8860
AUD/USD	0.6842	0.0003	0.0006	0.0002	-0.0008	NOK	6.5913	7.2562
AUD/NZD	1.1010	0.0003	0.0004	0.0000	-0.0029	SEK	6.4046	7.0507
AUD/JPY	100.48	-0.37	-1.15	-2.19	-4.01	SGD	0.8058	0.8871
AUD/EUR	0.6203	-0.0005	-0.0019	-0.0044	-0.0098	TWD	19.88	21.89
AUD/GBP	0.5215	0.0003	0.0005	0.0006	0.0007	ZAR	10.87	11.96
USD Index	101.96					EQUITIES		
EUR/USD	1.1030	0.0015	0.0041	0.0078	0.0161		Index	
USD/JPY	146.81	-0.62	-1.80	-3.24	-5.68	NZX50	12,573	
GBP/USD	1.3119	0.0000	-0.0003	-0.0015	-0.0039	ASX200	8,205	
EUR/GBP	0.8407	0.0011	0.0033	0.0069	0.0143	Dow Jones	41,954	
USD/CNY	7.0176	-0.0220	-0.0545	-0.0976	-0.1719	S&P 500	5,689	
						FTSE100	8,283	
INTEREST			New Zealand		Australia	DAX 30	19,015	
RATES			Mid		Mid	Nikkei	38,552	
30 day bank bills			5.03%		4.35%	COMMODITIES		
90 day bank bills			4.80%		4.47%		USD	
1 year swap			4.02%		4.00%	Brent Crude	77.76	
2 year swap			3.56%		3.72%	Gold	2,658.53	
3 year swap			3.45%		3.62%	Silver	32.12	
5 year swap			3.53%		3.84%	Iron Ore	109.29	
10 year swap			3.90%		4.14%	CRB Index	341.47	
3 year Govt bond			3.71%		3.58%		NZD	
5 year Govt bond			3.87%		3.67%	NZ Carbon	63.50	
10 year Govt bond			4.38%		4.08%			

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