

Market Alert

Friday 18 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6059	0.0013
NZD/AUD	0.9048	0.0009
NZD/JPY	91.070	-1.87
NZD/EUR	0.5597	-0.0035
NZD/GBP	0.4656	0.0010
NZD/CNH	4.3259	-0.0450
AUD/USD	0.6696	0.0006
AUD/EUR	0.6185	-0.0046
EUR/USD	1.0826	0.0089
USD/CNH	7.1381	-0.0885
GBP/USD	1.3012	-0.0002
EUR/GBP	0.8320	0.0069

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.59%	4.42%
2 year swap	3.55%	3.92%
10 year Govt	4.51%	4.33%

What? Another central bank has cut their interest rates!

Yes, once again we've had yet another central bank jump into the global rate cutting cycle with the ECB cutting by 25bps overnight, which was in line with expectations. The cut saw the European Central Banks key deposit rate fall to 3.25% and follows on from their cuts in September and June. With inflation in the Eurozone below the ECB's 2.0% target at 1.7%, the central bank's focus has shifted from inflation concerns to growth concerns with ECB President, Christine Lagarde stating, "The incoming data suggest that activity is weaker than expected; Investment is expanding only slowly and households consumed less." Officials expect another rate cut in December with traders pricing in a 56.0% possibility of a 50bps cut.

The Danish central bank also cut its key benchmark cast rate by 25bps to 2.85%.

But while the European outlook continues to deteriorate, the USA outlook remains exceedingly rosy after retail sales increased 0.4% on the month, which was above expectations for a 0.3% rise following August's 0.1% gain. Meanwhile, US unemployment claims dropped by -19k to 241k, which was the largest decrease in 3 months, although continuing claims firmed by 6k to 1,867k. Finally, the Atlanta Fed Q3 GDPNow forecast has been upgraded to 3.4% from 3.2%, and the Philly Fed's manufacturing index soared to 10.3 in October, which was a significant jump on September's 1.7 gain, while industrial production fell 0.3%.

Yesterday saw another stronger-than-expected Australian jobs report, with employment gaining 64.1k against an expected 25k increase. There was further positive news in that 51.6k of those new jobs were in full-time employment, which saw the unemployment rate fall from 4.2% to 4.1% and the participation rate increasing from 67.1% to 67.2%

While China's 4 largest banks confirmed they will cut mortgage rates earlier in the week, the PBoC Deputy Governor confirmed the rate cuts will be applied to 90.0% of the existing mortgages, adding that real estate development loans will be extended until the end of 2026.

The positive data was enough to propel the USD-index and treasury yields higher with the USD-index rallying to the

103.75 level as EUR/USD fell to 1.0825 and USD/JPY surged to 150.25. Against this, the AUD made some solid gains, although the NZD was quiet. The 2- and 10-year treasury yields gapped higher as the market looked to unwind some of their US rate cut projections with the 2-year 4bps higher at 3.99%, while the 10-year gapped 8bps to 4.10%. This will likely push local swap rates higher on their open this morning. Equity markets were flashing green across the board with most bourses 0.25%-0.75% higher, although commodity prices were mixed.

Quick, get your order in now!

In releasing its first 'super' car in over a decade, Ferrari has released the F80! It is, by all accounts, a "futuristic twist on the famous 1980s design" with a 1,200-horsepower V6 hybrid engine generating a top speed of 217 miles per hour. Only 799 of them will be made, at a cost of USD3.9m each, so get in quick!

Maybe there is an opportunity here? The civet 'cat' in Vietnam produces the world's most expensive coffee and yes, you guessed it, it's produced by force-feeding the 'cats' coffee cherries, which they partially digest and expel to create the rare bean. The thing is ... these 'cats' look like possums to me!

Welcome home James ... and let's hope for a positive start from AFC Auckland this weekend!



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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	0.8358	0.9237
NZD/USD	0.6059	0.0001	0.0006	0.0013	0.0027	CHF	0.5250	0.5803
NZD/AUD	0.9048	-0.0003	0.0000	0.0009	0.0040	CNY	4.3152	4.7689
NZD/JPY	91.070	-0.36	-1.04	-1.87	-3.28	DKK	4.1732	4.6127
NZD/EUR	0.5597	-0.0007	-0.0018	-0.0035	-0.0072	FJD	1.3317	1.4720
NZD/GBP	0.4656	0.0001	0.0004	0.0010	0.0021	HKD	4.7095	5.2055
						KRW	830.95	918.46
AU TWI	62.20					MYR	2.6092	2.8840
AUD/USD	0.6696	0.0003	0.0006	0.0006	-0.0004	NOK	6.6193	7.3162
AUD/NZD	1.1048	0.0002	-0.0001	-0.0015	-0.0058	SEK	6.3844	7.0568
AUD/JPY	100.62	-0.37	-1.15	-2.18	-4.07	SGD	0.7960	0.8798
AUD/EUR	0.6185	-0.0006	-0.0020	-0.0046	-0.0109	TWD	19.46	21.51
AUD/GBP	0.5146	0.0002	0.0004	0.0005	-0.0001	ZAR	10.71	11.84
USD Index	103.83					EQUITIES		
EUR/USD	1.0826	0.0014	0.0044	0.0089	0.0187		Index	
USD/JPY	150.30	-0.62	-1.85	-3.37	-6.04	NZX50	12,769	
GBP/USD	1.3012	0.0000	-0.0001	-0.0002	-0.0008	ASX200	8,356	
AUD/GBP	0.8320	0.0011	0.0033	0.0069	0.0145	Dow Jones	43,262	
USD/CNY	7.1236	-0.0186	-0.0526	-0.1028	-0.1973	S&P 500	5,830	
						FTSE100	8,385	
INTEREST			New Zealand		Australia	DAX 30	19,583	
RATES			Mid		Mid	Nikkei	38,911	
30 day bank bills			4.88%		4.35%	COMMODITIES		
90 day bank bills			4.59%		4.42%		USD	
1 year swap			3.91%		4.16%	Brent Crude	74.39	
2 year swap			3.59%		3.93%	Gold	2,690.63	
3 year swap			3.56%		3.87%	Silver	31.69	
5 year swap			3.70%		4.09%	Iron Ore	106.20	
10 year swap			4.05%		4.37%	CRB Index	335.66	
3 year Govt bond			3.84%		3.82%		NZD	
5 year Govt bond			4.02%		3.91%	NZ Carbon	63.40	
10 year Govt bond			4.51%		4.30%			

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