

Market Alert

Thursday 31 October 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5986	0.0013
NZD/AUD	0.9092	0.0015
NZD/JPY	91.715	-1.84
NZD/EUR	0.5507	-0.0034
NZD/GBP	0.4609	0.0013
NZD/CNH	4.2650	-0.0422
AUD/USD	0.6583	0.0003
AUD/EUR	0.6056	-0.0048
EUR/USD	1.0870	0.0091
USD/CNH	7.1250	-0.0901
GBP/USD	1.2986	-0.0011
EUR/GBP	0.8370	0.0076

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.53%	4.44%
2 year swap	3.58%	4.05%
10 year Govt	4.55%	4.55%

Another ho-hum session ...

... as we count down to the US election. I don't know about you, but I'm over the election already!

But despite that, there were some interesting releases overnight!

The big one was the US Q3 GDP release, which saw the US economy expand at an annualised 2.8%, which was below Q2's 3.0% and forecasts at the same level. Digging into the detail, resilient consumer spending accounted for about two-thirds of economic activity, while government spending was also a key driver. The other major US release saw private businesses add 233k workers to their payrolls in October, which was the highest since July 2023, while the September number was also revised higher to 159k.

But while US growth slightly disappointed, it was a completely different story on the other side of the Atlantic with Eurozone Q3 GDP expanding at its strongest growth rate in 2-years, expanding at 0.4% on the quarter and 0.9% on the year, the 'zone's' best performance since the Q1 2023, higher than forecasts at 0.8%, and ahead of the ECB's 0.8% projections for 2024. The German economy expanded at 0.2% to avoid a recession, while the French quickened, lifting from 0.2% to 0.4%.

German annual inflation accelerated to 2.0% in October, its highest level in 3-months and substantially higher than September's 3-1/2 year low at 1.6%. We also had some chit-chat from the ECB with Joachim Nagel stating, *"The ECB should remain cautious, and not rush to cut rates. Price stability is not far off, but the last stretch of the road still has to be covered"* while Francois Villeroy de Galhau added, *"It's too early to declare victory over inflation, but victory is in sight."*

The UK budget produced what one would have expected from a traditional Labour government ... tax increases all-round with Chancellor, Rachel Reeves, introducing GBP40bn of tax increases to address a GBP22bn fiscal hole. Key measures include a 1.2% increase in employers' national insurance contributions and a rise in capital gains tax. It is estimated the new measures will increase inflation by 0.4% to a projected 2.6% in 2025, while GDP growth projections were also revised

higher to 2.0% in 2025. As a result, gilt yields spiked higher as traders scaled back expectations of BoE rate cuts with the 2-years 6bps higher at 4.32%, while the 10-years reached a 5-month higher at 4.37%.

Australian annual inflation eased to 2.8%, within the RBA's 2.0%-3.0% target range, although the central bank is unlikely to 'fast-track' the cutting cycle given the decline was partly due to temporary government rebates and subsidies, which are set to expire, potentially leading to a resurgence in inflationary pressures in the coming quarters. Core inflation remained elevated as the trimmed mean measure firmed 0.8% in the September quarter.

Sunning it all up ...

... US bond markets took their directional bias from the gilt market, with the 2-year treasury yield firming 6bps to be at 4.16%, while the 10-years firmed a modest 1bps to 4.27%. The USD-index saw some profit taking as it retreated to the 104.00 level, which saw the NZD and AUD post modest gains. The EUR was the biggest beneficiary of the weaker USD, while the USD/JPY continues to trade around the 153.25 level. Commodities were broadly positive with oil prices gaining 2.3%, while equity prices also closed in positive territory as the US reporting season portrayed positivity.



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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	69.80					CAD	0.8317 0.9148
NZD/USD	0.5986	0.0001	0.0006	0.0013	0.0031	CHF	0.5180 0.5699
NZD/AUD	0.9092	-0.0002	0.0002	0.0015	0.0048	CNY	4.2567 4.6840
NZD/JPY	91.715	-0.35	-1.05	-1.84	-3.34	DKK	4.1066 4.5177
NZD/EUR	0.5507	-0.0006	-0.0018	-0.0034	-0.0071	FJD	1.3387 1.4727
NZD/GBP	0.4609	0.0001	0.0006	0.0013	0.0026	HKD	4.6508 5.1163
						KRW	825.43 908.05
AU TWI	61.30					MYR	2.6180 2.8801
AUD/USD	0.6583	0.0002	0.0004	0.0003	-0.0009	NOK	6.5512 7.2069
AUD/NZD	1.0996	0.0001	-0.0004	-0.0022	-0.0076	SEK	6.3782 7.0167
AUD/JPY	100.85	-0.38	-1.18	-2.20	-4.21	SGD	0.7906 0.8697
AUD/EUR	0.6056	-0.0006	-0.0021	-0.0048	-0.0113	TWD	19.11 21.03
AUD/GBP	0.5069	0.0002	0.0005	0.0006	0.0002	ZAR	10.56 11.62
USD Index	104.00					EQUITIES	
EUR/USD	1.0870	0.0014	0.0044	0.0091	0.0193		Index
USD/JPY	153.22	-0.61	-1.90	-3.41	-6.28	NZX50	12,695
GBP/USD	1.2986	-0.0001	-0.0004	-0.0011	-0.0030	ASX200	8,180
EUR/GBP	0.8370	0.0011	0.0036	0.0076	0.0157	Dow Jones	42,268
USD/CNY	7.115	-0.0171	-0.0542	-0.1082	-0.2128	S&P 500	5,831
						FTSE100	8,160
						DAX 30	19,257
						Nikkei	39,277
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		4.86%		4.36%		Brent Crude	72.66
90 day bank bills		4.53%		4.44%		Gold	2,788.65
1 year swap		3.91%		4.25%		Silver	33.91
2 year swap		3.62%		4.06%		Iron Ore	104.09
3 year swap		3.60%		4.02%		CRB Index	332.13
5 year swap		3.75%		4.27%			
10 year swap		4.14%		4.54%			
3 year Govt bond		3.83%		4.01%			
5 year Govt bond		4.04%		4.13%			
10 year Govt bond		4.55%		4.55%		NZ Carbon	63.60

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