

Market Alert

Wednesday 27 November 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5821	0.0018
NZD/AUD	0.9019	0.0022
NZD/JPY	89.290	-1.66
NZD/EUR	0.5560	-0.0037
NZD/GBP	0.4643	0.0016
NZD/CNH	4.2255	-0.0230
AUD/USD	0.6452	0.0004
AUD/EUR	0.6162	-0.0056
EUR/USD	1.0469	0.0102
USD/CNH	7.2597	-0.0622
GBP/USD	1.2534	-0.0004
EUR/GBP	0.8349	0.0083

INT RATES	NZ	Australia
OCR/Cash	4.75%	4.35%
90 day bills	4.32%	4.47%
2 year swap	3.60%	4.03%
10 year Govt	4.53%	4.53%

Strap yourselves in ... it's going to be a wild ride!

Despite the implications of a global trade war, today's focus will be on the RBNZ. Will it cut, or will it hike ... well ... let's be honest, with a certain Mr. Orr at the helm, anything is possible! But the 'herd' is calling a 50bps cut and, I suspect, the usual warnings in the Q&A session. As it's a full MPS, there will also be the usual focus on the central bank's forecasts.

Don't worry ... there's only another 4-years of this to go!

After the positive news of the confirmation of ex-hedge fund manager Scott Bessent to the position of US Treasury Secretary, President-elect Donald Trump undid all of the positives with a late night (mid-day NZ time) post

on X stating, "As one of many first executive orders, I will charge Mexico and Canada a 25% tariff on all products coming into the United States," while he also warned he would increase tariffs on China, stating he would add an "Additional 10% tariffs on China until fentanyl trafficking is halted."

As someone said, "It's very difficult to assess if it is a threat, a promise, or a negotiation tool" but the news raised the possibility of a collapse of the NAFTA trade agreement and heightened the possibility of an all-out tariff war. This saw the USD-index rebound strongly with the CAD, AUD and NZD falling the hardest. At this stage the USD-index is sitting on a key support level, but I won't be hopeful we've seen the turn until it breaks below the 106.85 level. Against this, the AUD/USD is on its key support at 0.6450 while the NZD/USD appears to be finding a crumb of support in the 0.5825-0.5850 range after bouncing off its 0.5797 low.

Unfortunately, the tweet also reversed some of the prior gains made by fixed income markets with yield reversing their earlier falls to move higher. This momentum continued in the overnight markets with yields modestly higher across the curve with the US 2-year treasury yield 1bps higher at 4.30%, while the 10-years is 3bps higher at 4.31%. Expect local swap rates to open a touch firmer this morning.

Equity markets also didn't like the news with the Asian and European markets easing 0.5% to 1.0%, although the S&P and Nasdaq are 0.5% higher this morning. Commodity markets are mixed with safe

haven flows into gold as it gained 0.4%, although oil prices are 0.8% lower, while copper fell 1.3%.

China's response was a dignified, "China believes that China-US economic and trade cooperation is mutually beneficial in nature, No one will win a trade war or a tariff war," while a Canadian official confirmed that PM Trudeau and President elect Trump had spoken about trade and border security adding, "It was a good discussion. They agreed to stay in touch." Well that's reassuring!

In terms of the data, US single-home sales plummeted 17.3% to 610k in October, although the Case-Shiller 20-city home price index saw prices rise 4.6% in the year to September. The Richmond Fed's composite manufacturing index remained at -14, although more businesses were optimistic that conditions would improve in the coming 6-months, while the Conference Board's consumer confidence index firmed 2.1 points from 109.6 to 111.7.

Fed Minneapolis President and rent-a-quote Neel Kashkari, announced, "It is still appropriate to consider another interest-rate cut at the December FOMC meeting (although) the natural rate may be higher and policy not as restrictive." Austin Goolsbee added, "It makes sense to slow cuts as rate approaches the neutral rate."

Breaking news

The Israeli cabinet has approved a ceasefire deal with Lebanon.



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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	69.00					CAD	0.8192	0.9085
NZD/USD	0.5821	0.0003	0.0007	0.0018	0.0042	CHF	0.5169	0.5733
NZD/AUD	0.9019	0.0002	0.0006	0.0022	0.0057	CNY	4.2197	4.6779
NZD/JPY	89.290	-0.30	-0.92	-1.66	-2.97	DKK	4.1458	4.5960
NZD/EUR	0.5560	-0.0005	-0.0017	-0.0037	-0.0078	FJD	1.3070	1.4489
NZD/GBP	0.4643	0.0002	0.0006	0.0016	0.0035	HKD	4.5297	5.0216
						KRW	813.17	901.47
AU TWI	61.70					MYR	2.5928	2.8744
AUD/USD	0.6452	0.0002	0.0003	0.0004	0.0006	NOK	6.5107	7.2177
AUD/NZD	1.1087	-0.0003	-0.0009	-0.0029	-0.0080	SEK	6.4088	7.1047
AUD/JPY	99.00	-0.36	-1.08	-2.08	-3.91	SGD	0.7845	0.8697
AUD/EUR	0.6162	-0.0007	-0.0023	-0.0056	-0.0126	TWD	18.91	20.96
AUD/GBP	0.5146	0.0002	0.0004	0.0005	0.0004	ZAR	10.60	11.75
USD Index	107.07					EQUITIES		
EUR/USD	1.0469	0.0014	0.0045	0.0102	0.0224		Index	
USD/JPY	153.39	-0.59	-1.76	-3.33	-6.18	NZX50	13,114	
GBP/USD	1.2534	-0.0001	-0.0003	-0.0004	-0.0004	ASX200	8,359	
EUR/GBP	0.8349	0.0012	0.0037	0.0083	0.0175	Dow Jones	44,691	
USD/CNY	7.252	-0.0179	-0.0522	-0.1086	-0.2260	S&P 500	6,011	
						FTSE100	8,259	
INTEREST		New Zealand		Australia		DAX 30	19,296	
RATES		Mid		Mid		Nikkei	38,442	
30 day bank bills		4.36%		4.37%		COMMODITIES		
90 day bank bills		4.32%		4.47%			USD	
1 year swap		3.82%		4.22%		Brent Crude	72.38	
2 year swap		3.61%		4.04%		Gold	2,621.99	
3 year swap		3.60%		3.98%		Silver	30.38	
5 year swap		3.73%		4.22%		Iron Ore	102.01	
10 year swap		4.09%		4.47%		CRB Index	344.23	
3 year Govt bond		3.83%		4.03%			NZD	
5 year Govt bond		4.05%		4.14%		NZ Carbon	64.10	
10 year Govt bond		4.53%		4.53%				

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