

Market Alert

Tuesday 03 December 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5882	0.0017
NZD/AUD	0.9096	0.0019
NZD/JPY	88.020	-1.65
NZD/EUR	0.5608	-0.0039
NZD/GBP	0.4652	0.0014
NZD/CNH	4.2853	-0.0283
AUD/USD	0.6465	0.0003
AUD/EUR	0.6162	-0.0057
EUR/USD	1.0489	0.0102
USD/CNH	7.2856	-0.0684
GBP/USD	1.2643	-0.0005
EUR/GBP	0.8294	0.0082

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.36%	4.49%
2 year swap	3.64%	3.96%
10 year Govt	4.45%	4.42%

Geo-political risks continue to dominate ...

... but this time it's out of Europe with the imminent threat of a French government collapse after a PM Michel Barnier failed to find a budget compromise after Marine Le Pen's right-wing party backed a no-confidence motion. This will likely lead to a new election in France, which saw French bond yields trade higher than their Greek peers for the first time on record, while the risk premium to German 10-year yields increased by 6bps to 87bps. The EUR was also under pressure, while the USD-index gained further strength after Donald Trump threatened to impose ... yes ... you guessed it ... 100% tariffs on the BRIC nations should they attempt to create a currency to rival the USD.

The US data also printed above expectations with the November ISM manufacturing survey printing at 48.4 against the 47.5 expected, the November final S&P manufacturing PMI firmed to 49.7 against the preliminary print at 48.8, while the Atlanta Fed GDPNow has increased from 2.7% to 3.2%.

In the Eurozone, the October unemployment rate remained at its all-time low at 6.3%, November manufacturing PMIs were in line with expectations at 45.2, although the German input fell from 43.2 to 43.0, while the French numbers moved in a similar direction falling from 43.2 to 43.1. UK November manufacturing PMIs printed at 48.0, but on a positive note, UK house prices firmed 1.2%.

In our part of the world, Australian Q3 business inventories fell 0.9% against expectation at -0.4%, retail sales firmed 0.6%, building approvals rose 4.2%, while Australian manufacturing PMIs flatlined at 49.4. In NZ, building consents fell 5.2% from the prior months 2.4% increase.

So, what does it all mean? Well, bond yields are all over the place, weakening in the UK, Australia with Germany and China ... where the 10-year yield fell to a multi-year low to the 2.00% level ... while yields firmed in France and the US where the 2-years firmed 4bps to 4.20% and the 10-years rose 2bps to yield 4.19%. The USD-index firmed as the EUR plummeted 0.8%, the AUD dropped 0.7%, and the NZD eased 0.5%. Commodity prices were broadly lower with oil prices falling

1.0% with dairy futures also reversing for a change, while equity prices continued their grind higher.

The central bank chit-chat corner!

Fed unofficial mouthpiece, Raphael Bostic, announced, "We're not going into December meeting with a sense that the outcome is preordained, the in-coming data will be important; we need to keep our options open. We do not want people to conclude view that there must be a cut at every meeting. Risks to inflation, employment mandates are roughly in balance and justifies move towards neutral monetary policy, but if we're going to err, we will err on the side of being more restrictive."

PBOC Governor, Pan Gongsheng, announced, "We will continue supportive monetary policy direction next year. We will strengthen counter-cyclical adjustments and continue to promote stable developments of real estate and capital markets."

The ECB's Philip Lane stated that, "At some point, policy needs to be driven by upcoming risks rather than being backward-looking, but that is once we are sure inflation is in line to hit 2.0% target. There is a little bit of distance to go in that regard as services inflation needs to come down further." Colleague Martinš Kazaks added, "In my view, rate cuts must continue. We are likely to discuss bigger rate cut in December, but uncertainty is high," with Olli Rehn emphasising, "There are reasons to continue cutting rates in December."



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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	69.60					CAD	0.8258	0.9083
NZD/USD	0.5882	0.0003	0.0006	0.0017	0.0035	CHF	0.5214	0.5736
NZD/AUD	0.9096	0.0001	0.0005	0.0019	0.0043	CNY	4.2672	4.6882
NZD/JPY	88.020	-0.36	-0.90	-1.65	-3.01	DKK	4.1812	4.5971
NZD/EUR	0.5608	-0.0006	-0.0017	-0.0039	-0.0090	FJD	1.3160	1.4470
NZD/GBP	0.4652	0.0002	0.0006	0.0014	0.0027	HKD	4.5757	5.0309
						KRW	826.93	909.21
AU TWI	61.50					MYR	2.6207	2.8815
AUD/USD	0.6465	0.0002	0.0003	0.0003	0.0004	NOK	6.5361	7.1864
AUD/NZD	1.0993	-0.0003	-0.0008	-0.0026	-0.0062	SEK	6.4669	7.1103
AUD/JPY	96.75	-0.42	-1.05	-2.01	-3.76	SGD	0.7913	0.8701
AUD/EUR	0.6162	-0.0008	-0.0023	-0.0057	-0.0130	TWD	19.18	21.08
AUD/GBP	0.5111	0.0001	0.0003	0.0005	0.0005	ZAR	10.68	11.74
USD Index	106.50					EQUITIES		
EUR/USD	1.0489	0.0015	0.0043	0.0102	0.0230		Index	
USD/JPY	149.64	-0.67	-1.67	-3.21	-5.93	NZX50	13,115	
GBP/USD	1.2643	0.0000	-0.0003	-0.0005	-0.0006	ASX200	8,448	
EUR/GBP	0.8294	0.0012	0.0035	0.0082	0.0184	Dow Jones	44,825	
USD/CNY	7.2714	-0.0188	-0.0523	-0.1089	-0.2268	S&P 500	6,047	
						FTSE100	8,313	
INTEREST		New Zealand		Australia		DAX 30	19,934	
RATES		Mid		Mid		Nikkei	38,513	
30 day bank bills		4.38%		4.36%		COMMODITIES		
90 day bank bills		4.36%		4.49%			USD	
1 year swap		3.89%		4.20%		Brent Crude	71.68	
2 year swap		3.69%		3.98%		Gold	2,637.06	
3 year swap		3.64%		3.91%		Silver	30.43	
5 year swap		3.71%		4.12%		Iron Ore	105.31	
10 year swap		4.02%		4.32%		CRB Index	343.72	
3 year Govt bond		3.84%		3.97%			NZD	
5 year Govt bond		4.01%		4.06%		NZ Carbon	64.05	
10 year Govt bond		4.45%		4.42%				

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