

Market Alert

Thursday 12 December 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5786	0.0014
NZD/AUD	0.9086	0.0018
NZD/JPY	88.300	-1.64
NZD/EUR	0.5517	-0.0037
NZD/GBP	0.4541	0.0015
NZD/CNH	4.2126	-0.0220
AUD/USD	0.6366	0.0003
AUD/EUR	0.6070	-0.0053
EUR/USD	1.0486	0.0095
USD/CNH	7.2815	-0.0560
GBP/USD	1.2738	-0.0013
EUR/GBP	0.8229	0.0081

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.30%	4.49%
2 year swap	3.52%	3.75%
10 year Govt	4.45%	4.27%

US inflation supports Fed cut next week

November US CPI data printed in line with market expectations. Headline CPI printed at 0.3% for the month, pushing the annual figure up marginally to 2.7%, from last month's 2.6%, while core inflation printed at 0.3%, leaving the annual core figure unchanged at 3.3%. The data supports market expectations for a 25bps cut at the next Fed meeting on 19 December, which is now almost fully priced in. US Treasury yields fell directly after the US CPI data but have since increased - the 10-year is currently up 4bps at 4.26%, while the 2-year is largely unchanged at 4.26%.

As widely expected, the Bank of Canada cut its cash rate 50bps overnight, its fifth consecutive cut, lowering its cash rate to

3.25%. The BoC has now cuts its cash rate by 1.75% since the middle of this year, from its peak of 5.00%. BoC Governor, Tiff Macklem, conveyed his concern around the Canadian economy as Q3 QDP was weaker than expected and Q4 is tracking lower as well, while noting that the labour market is still softening (the unemployment rate lifted to 6.8% in November). However, the statement "If the economy evolves broadly in line with our latest forecast, we expect to reduce the policy rate further" was removed from this statement and replaced with "Going forward, we will be evaluating the need for further reductions in the policy rate one decision at a time." Markets are expecting further easing by the BoC, with a further 65bps of cuts priced in for 2025.

From the Pacific

New Zealand total manufacturing volumes fell 1.2% over the September quarter, a drop from the June quarter's revised 0.3% increase. Total manufacturing sales dropped 0.1% over the quarter, down from the June quarter's revised figure of a 0.9% increase. This adds to conviction that Q3 GDP, due out next week, will print in negative territory, with a growing likelihood that it will be softer than the -0.2% expected by the RBNZ.

Japan's producer price index ("PPI") rose by 3.7% over the November year, up 0.3% on the month. This was the highest increase in the last 16 months, indicating growing inflationary pressure.

The increase was led by agricultural and fishery goods, up 31.0% over the year. BoJ Governor Kazuo Ueda has signalled readiness to hike, and markets are expecting the BoJ to raise its benchmark interest rate either on December 19 or in January.

Game on!

Antipodean currencies came under further selling pressure overnight. The NZD/USD has now lost its 0.5800 handle that it was wrestling for yesterday, reaching a low of 0.5762 overnight. It was a similar story for the AUD/USD, which fell to a low of 0.6337.

There appears to be a 'risk-on' move after the CPI release as a number of equities are trading at all-time record highs, notably the NASDAQ index traded at a record high, and bitcoin has increased over 4.0% overnight to be back above USD100k.



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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	68.80					CAD	0.8193	0.9018
NZD/USD	0.5786	0.0002	0.0005	0.0014	0.0033	CHF	0.5119	0.5635
NZD/AUD	0.9086	0.0001	0.0006	0.0018	0.0032	CNY	4.2008	4.6234
NZD/JPY	88.300	-0.36	-0.89	-1.64	-2.97	DKK	4.1137	4.5269
NZD/EUR	0.5517	-0.0006	-0.0017	-0.0037	-0.0081	FJD	1.3277	1.4611
NZD/GBP	0.4541	0.0002	0.0006	0.0015	0.0032	HKD	4.4985	4.9503
						KRW	826.94	909.99
AU TWI	60.40					MYR	2.5628	2.8201
AUD/USD	0.6366	0.0001	0.0001	0.0003	0.0009	NOK	6.4550	7.1032
AUD/NZD	1.1005	-0.0002	-0.0008	-0.0025	-0.0060	SEK	6.3560	6.9943
AUD/JPY	97.17	-0.40	-1.04	-1.99	-3.67	SGD	0.7779	0.8560
AUD/EUR	0.6070	-0.0007	-0.0023	-0.0053	-0.0115	TWD	18.78	20.67
AUD/GBP	0.4996	0.0001	0.0003	0.0007	0.0014	ZAR	10.25	11.28
USD Index	106.78					EQUITIES		
EUR/USD	1.0486	0.0014	0.0041	0.0095	0.0214		Index	
USD/JPY	152.60	-0.65	-1.67	-3.20	-5.97	NZX50	12,761	
GBP/USD	1.2738	-0.0001	-0.0006	-0.0013	-0.0022	ASX200	8,354	
EUR/GBP	0.8229	0.0012	0.0036	0.0081	0.0179	Dow Jones	44,245	
USD/CNY	7.2605	-0.0183	-0.0524	-0.1113	-0.2329	S&P 500	6,088	
						FTSE100	8,302	
						DAX 30	20,399	
						Nikkei	39,372	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			4.38%		4.37%			
90 day bank bills			4.30%		4.49%			
1 year swap			3.76%		4.01%			
2 year swap			3.57%		3.76%			
3 year swap			3.54%		3.71%			
5 year swap			3.64%		3.95%			
10 year swap			3.96%		4.23%			
3 year Govt bond			3.79%		3.76%			
5 year Govt bond			3.99%		3.86%			
10 year Govt bond			4.45%		4.27%			
						COMMODITIES		
							USD	
						Brent Crude	73.45	
						Gold	2,715.92	
						Silver	31.89	
						Iron Ore	105.63	
						CRB Index	348.42	
							NZD	
						NZ Carbon	60.35	

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