

# Market Alert

Friday 13 December 2024

CURRENCIES	Spot	6mths
NZD/USD	0.5775	0.0014
NZD/AUD	0.9064	0.0018
NZD/JPY	88.060	-1.62
NZD/EUR	0.5510	-0.0036
NZD/GBP	0.4553	0.0015
NZD/CNH	4.2009	-0.0218
AUD/USD	0.6369	0.0002
AUD/EUR	0.6077	-0.0054
EUR/USD	1.0480	0.0093
USD/CNH	7.2759	-0.0554
GBP/USD	1.2681	-0.0013
EUR/GBP	0.8260	0.0081

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.29%	4.50%
2 year swap	3.54%	3.86%
10 year Govt	4.50%	4.36%

## Data surprise feeds Australian volatility

Australia's unemployment rate eased to 3.9% for November, well below expectations of a lift to 4.2%. The participation rate fell slightly, down to 67.0% from the previous 67.1%. The total employment change over the month was at 35.6k, with an increase of 52.6k full-time positions, while part-time positions fell by 17.0k. The employment-to-population ratio saw a small rise to 64.4%. Seasonally adjusted hours worked fell slightly in November, the first time in 6 months when growth in hours worked did not match employment growth.

After the disappointing GDP data last week, which led to the timing of the initial RBA rate cut being pulled forward, the resilience of the job market could

potentially lead to the RBA pushing back its rate cutting cycle until further into 2025. Markets unwound expectations of RBA cuts and sent Australian swap rates up by ~10bp across the curve which pulled New Zealand swap rates marginally higher as well. The data prompted a 1 cent jump in the AUD/USD but the move was partially unwound overnight, the pair dipping back towards 0.6370.

And staying in Australia, the total population grew by 2.1% in the year to June with an increase of 552k leading to a total population of 27.2m. Over the year, there were 666.8k arrivals and 221.2k departures for a net figure of 445.6k and continuing a recent downward trend in net overseas migration.

## European challenges

The ECB cut its deposit rate by 25bps overnight as expected, from 3.25% to 3.00%. There was some consideration around a 50bps, but ultimately the committee agreed that 25bp was the best move given the political instability and threat of a fresh US trade war. The 2025 GDP forecast was 1.1%, down from 1.3% previously and hardly inspiring. The economy has been skirting recession for over a year. The 2-year swap rate lifted marginally but at 2.15% is implying significant further easing from the ECB over the coming months, with a 50bp cut fully priced for the next meeting in late January.

The Swiss National Bank was also in cutting mode, surprising markets with a 50bp rate cut and taking its key rate to just 0.50%.

In the US, producer prices increased by a stronger than expected 0.4%, this along with upward historical revisions led the annual number to increase to 3.0%. However, markets looked past the stronger PPI data as the initial jobless claims data surprised to the upside, increasing from an upwardly revised 225k, to 242k. Markets saw this data as dovish and have moved to fully price in a 25bps cut by the Fed next week.

## Some details would be nice

China remains non-committal in the full scope of its stimulus package. Ahead of the Work Conference in Beijing, sentiment around China and global growth improved. However, once again the market was left disappointed after there were statements about what the Chinese government want to achieve, with no clear plan of how or when they are going to achieve it. The statement, *"the adverse impact brought by changes in the external environment has deepened."* hinted that they may be waiting until the scale of Donald Trump's proposed tariffs become clearer, before they promise anything concrete.



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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	0.8194	0.9044
NZD/USD	0.5775	0.0002	0.0005	0.0014	0.0037	CHF	0.5141	0.5672
NZD/AUD	0.9064	0.0001	0.0006	0.0018	0.0039	CNY	4.1956	4.6287
NZD/JPY	88.060	-0.34	-0.90	-1.62	-2.88	DKK	4.1067	4.5314
NZD/EUR	0.5510	-0.0006	-0.0018	-0.0036	-0.0074	FJD	1.3117	1.4468
NZD/GBP	0.4553	0.0002	0.0006	0.0015	0.0036	HKD	4.4893	4.9519
						KRW	825.77	910.86
AU TWI	60.90					MYR	2.5608	2.8247
AUD/USD	0.6369	0.0001	0.0001	0.0002	0.0005	NOK	6.4390	7.0990
AUD/NZD	1.1031	-0.0002	-0.0008	-0.0027	-0.0064	SEK	6.3478	7.0019
AUD/JPY	97.14	-0.38	-1.05	-2.00	-3.72	SGD	0.7773	0.8574
AUD/EUR	0.6077	-0.0007	-0.0024	-0.0054	-0.0116	TWD	18.77	20.71
AUD/GBP	0.5020	0.0001	0.0003	0.0006	0.0011	ZAR	10.27	11.31
USD Index	106.84					<b>EQUITIES</b>		
EUR/USD	1.0480	0.0013	0.0042	0.0093	0.0208		<b>Index</b>	
USD/JPY	152.49	-0.64	-1.68	-3.17	-5.92	NZX50	12,693	
GBP/USD	1.2681	-0.0002	-0.0006	-0.0013	-0.0022	ASX200	8,330	
EUR/GBP	0.8260	0.0012	0.0036	0.0081	0.0175	Dow Jones	43,975	
USD/CNY	7.2685	-0.0178	-0.0528	-0.1103	-0.2331	S&P 500	6,069	
						FTSE100	8,312	
						DAX 30	20,426	
						Nikkei	39,849	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>			
			Mid		Mid			
30 day bank bills			4.38%		4.37%			
90 day bank bills			4.29%		4.50%			
1 year swap			3.74%		4.09%			
2 year swap			3.59%		3.87%			
3 year swap			3.56%		3.81%			
5 year swap			3.68%		4.05%			
10 year swap			4.02%		4.34%			
3 year Govt bond			3.81%		3.88%			
5 year Govt bond			4.02%		3.98%			
10 year Govt bond			4.50%		4.36%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	73.51	
						Gold	2,684.19	
						Silver	31.06	
						Iron Ore	105.52	
						CRB Index	352.31	
							<b>NZD</b>	
						NZ Carbon	63.00	

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