

# Market Alert

Thursday 15 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5999	0.0010
NZD/AUD	0.8901	-0.0021
NZD/JPY	85.88	-1.76
NZD/EUR	0.6013	-0.0072
NZD/GBP	0.5200	-0.0013
NZD/CNH	4.1832	-0.0154
AUD/USD	0.6739	0.0026
AUD/EUR	0.6755	-0.0066
EUR/USD	0.9973	0.0137
USD/CNH	6.9741	-0.0372
GBP/USD	1.1536	0.0048
EUR/GBP	0.8645	0.0082

  

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.64%	2.79%
2 year swap	4.28%	3.67%
10 year Govt	4.09%	3.71%

## Listen very carefully – I shall say this only once

Believe me, it sounds better with a French accent!

And last night it was the turn of Japanese Finance Minister, Shunichi Suzuki, to provide the warning, stating “sharp FX fluctuations are not desirable. FX intervention is among options. (While) some speculative moves are behind the recent FX moves, the recent moves are clearly sharp and one-sided.” And immediately after that, the BoJ reportedly conducted a ‘rate check’

in apparent preparation for currency intervention. This is without doubt a warning to markets that Japanese officials are close to drawing a hard line in the sand, which saw USD/JPY sell-off from the 145.00 level to 143.00

In the UK, the August inflation release produced similar take-outs to the US print after headline CPI undershot expectations to hit 9.9% versus the 10.2% forecast, but the core reading ticked higher to 6.3% from last month’s 6.2%, which won’t provide any comfort to the BoE and ensure it remains on its tightening path as soaring price pressures continue to impact households.

On a positive note, US producer prices fell -0.1% in August, following July’s -0.4%, although the core measure increased to 0.4% from 0.3%. Year-on-year, prices rose 8.7%, which was the lowest level in a year, while the core measure increased 7.3%. The Euro-zone’s July industrial production also fell, by -2.3%, reversing gains made in May and June.

In New Zealand, one of the local banks announced, “We expect to see a sharp fall in tradables (imported) inflation next year. But non-tradables (domestic) inflation will prove to be more difficult to contain.” We also had another bank suggest, “The next few months remain a minefield for risk sentiment, with global central bank tightening, recession risks, and geopolitical tensions as backdrops. But by year end, if sentiment stabilises, there is the potential for the NZD to rebound towards

mid-0.60s. (Against this) Aussie rallies should be capped against the USD until there is compelling evidence of core inflation rolling over. The AUD seems likely to retest the July lows sub-0.67 (although there is) scope for a Q4 rebound to 0.71”.

Blackrock has produced an interesting report questioning the focus of central bankers stating, “By focusing solely on the theoretical de-anchoring of inflation expectations, and ignoring the very real growth costs, both the Fed and the ECB are swerving a crucial debate that needs to be had ... where should policymakers land on the inflation/growth trade-off, and what is the appropriate speed at which inflation should come back down to the 2.0% target?” To answer this question, Blackrock estimates it would take a deep recession in the US, and 3 million job losses, to bring inflation back to 2.0%, and it would be even worse in Europe!

After that pessimistic note, equity markets sent most of the overnight session gyrating between modest gains and losses, with European markets closing slightly lower while US bourses should close with modest gains.

Commodity markets had a positive session driven by energy products, as gas prices surged almost 10.0%, while bond markets were steady with the US Treasury bond flat at 3.42%. The US-dollar was also steady, with the NZD and AUD range bound in their new, lower, ranges.



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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	70.00					CAD	0.7905	0.8879
NZD/USD	0.5999	0.0001	0.0002	0.0010	0.0017	CHF	0.5776	0.6490
NZD/AUD	0.8901	-0.0004	-0.0012	-0.0021	-0.0032	CNY	4.1858	4.6962
NZD/JPY	85.88	-0.24	-0.78	-1.76	-3.74	DKK	4.4720	5.0236
NZD/EUR	0.6013	-0.0013	-0.0038	-0.0072	-0.0130	FJD	1.3472	1.5134
NZD/GBP	0.5200	-0.0003	-0.0009	-0.0013	-0.0012	HKD	4.7086	5.2894
						KRW	835.41	938.46
AU TWI	62.50					MYR	2.7145	3.0494
AUD/USD	0.6813	0.0003	0.0011	0.0026	0.0039	NOK	6.0641	6.8121
AUD/NZD	0.6535	0.0003	0.0012	0.0022	0.0028	SEK	6.4253	7.2177
AUD/JPY	96.48	-0.23	-0.75	-1.76	-3.89	SGD	0.8432	0.9472
AUD/EUR	0.6755	-0.0012	-0.0034	-0.0066	-0.0122	TWD	18.65	20.95
AUD/GBP	0.5841	-0.0001	-0.0003	-0.0002	0.0007	ZAR	10.49	11.78
USD Index	109.74					<b>EQUITIES</b>		
EUR/USD	0.9973	0.0022	0.0066	0.0137	0.0243		<b>Index</b>	
USD/JPY	143.16	-0.41	-1.35	-3.16	-6.79	NZX50	11,658	
GBP/USD	1.1536	0.0008	0.0023	0.0048	0.0053	ASX200	6,829	
EUR/GBP	0.8645	0.0012	0.0039	0.0082	0.0166	Dow Jones	31,025	
						S&P 500	3,915	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,277	
			<b>Mid</b>		<b>Mid</b>	DAX 30	13,028	
30 day bank bills			3.27%		2.46%	Nikkei	27,819	
90 day bank bills			3.64%		2.79%	<b>COMMODITIES</b>		
1 year swap			4.22%		3.53%		<b>USD</b>	
2 year swap			4.28%		3.67%	Brent Crude	93.81	
3 year swap			4.22%		3.66%	Gold	1,694.51	
5 year swap			4.11%		3.72%	Silver	19.51	
10 year swap			4.12%		3.96%	Iron Ore	101.43	
3 year Govt bond			3.93%		3.29%	CRB Index	307.05	
5 year Govt bond			3.96%		3.43%		<b>NZD</b>	
10 year Govt bond			4.09%		3.71%	NZ Carbon	84.00	

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