

Market Alert

Wednesday 7 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6036	-0.0001
NZD/AUD	0.8969	-0.0028
NZD/JPY	86.21	-1.72
NZD/EUR	0.6097	-0.0080
NZD/GBP	0.5241	-0.0015
NZD/CNH	4.2079	-0.0222
AUD/USD	0.6730	0.0018
AUD/EUR	0.6796	-0.0072
EUR/USD	0.9899	0.0129
USD/CNH	6.9706	-0.0361
GBP/USD	1.1513	0.0029
EUR/GBP	0.8599	0.0088

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.54%	2.60%
2 year swap	4.29%	3.65%
10 year Govt	4.08%	3.72%

As much as it grinds me, well done to the 'Baggy Greens'!

Like a fine Cameron Green cover drive, the RBA played a straight bat, raising its cash rate by 50bps to 2.35%. The move followed a 50bps hike each in the prior 3 months and May's 25bps rise.

The Board also played to trend, expecting inflation to peak later this year. Their current forecasts project inflation to be around 7.75% over 2022, a little above 4.0% in 2023, and around 3.0% come 2024.

In terms of risks, the labour market is very tight and wage growth has picked up, although household spending remains an important source of uncertainty.

Finally, the board made a subtle change stating "price stability is a prerequisite for a strong economy and a sustained period of full employment. The Board expects to increase interest rates further over the months ahead, but it is not on a pre-set path. The size and timing of future interest rate increases will be guided by the incoming data." Interestingly, removing the reference to 'normalisation' and adding the point on 'price stability' appears to be a hint that the cash rate is now at what conceivably maybe viewed as 'neutral territory.'

Elsewhere in the world, US ISM services PMIs unexpectedly edged higher to 56.9 in August, beating market forecasts of 55.1, in what was the index's strongest gain in 4 months. That's where the good news ended as German factory orders fell 1.1% in July for its sixth consecutive decline amid persistently high inflation and supply chain issues. The situation isn't any better in the Netherlands either, after the annual inflation rate surged to 12.0% in August from July's 10.3%.

UK Prime Minister, Liz Truss, is readying a GBP130 billion plan to freeze energy bills, which will be an easy win with the electorate after the Barclaycard data showed consumer spending growth was

at its weakest since March 2021 as the average utility bill rose by 45.2%!

While there were molecules of positive news overnight, the S&P PMI summary explained it best with the headline; 'Global economy slides into contraction!' With global economic output contracting in August for the first time since June 2020, and a broad-based deterioration of output and demand across most sectors and regions, companies are taking a more cautious approach to cost controls and employment.

This, once again, saw equities capitulate with the main bourses bleeding red falling 0.50% - 1.0%. Bond yields also caught a rip with the T-bond gapping 14bps higher to 3.33%, which spiked the USD-index to another high, but for those that thought the positive GDT auction would support the NZD, think again! While the auction saw a change in sentiment, with the index surging 4.9% as WMP gapped 5.1%, butter rallied 3.3%, and SMP spiked 1.5%, the NZD and the AUD were pounded against the USD.

The NZD broke support at 0.6060 to reach its lowest level since May 2020, while the AUD is closing in on June's 0.6682 low. The NZD/AUD is unchanged, although the JPY has collapsed, again. With USD/JPY at 142.80 Goldman is now forecasting USD/JPY to 145.00 and EUR/USD to 0.9700.



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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	71.00					CAD	0.7938	0.8851
NZD/USD	0.6036	0.0000	-0.0002	-0.0001	-0.0001	CHF	0.5943	0.6628
NZD/AUD	0.8969	-0.0005	-0.0014	-0.0028	-0.0048	CNY	4.2012	4.6865
NZD/JPY	86.21	-0.25	-0.75	-1.72	-3.73	DKK	4.5330	5.0542
NZD/EUR	0.6097	-0.0014	-0.0040	-0.0080	-0.0152	FJD	1.3366	1.4903
NZD/GBP	0.5241	-0.0004	-0.0009	-0.0015	-0.0017	HKD	4.7381	5.2829
						KRW	832.72	928.46
AU TWI	62.90					MYR	2.7150	3.0272
AUD/USD	0.6813	0.0003	0.0008	0.0018	0.0016	NOK	6.0544	6.7505
AUD/NZD	0.6535	0.0005	0.0016	0.0027	0.0034	SEK	6.5212	7.2706
AUD/JPY	96.10	-0.23	-0.70	-1.65	-3.75	SGD	0.8490	0.9466
AUD/EUR	0.6796	-0.0012	-0.0035	-0.0072	-0.0139	TWD	18.60	20.74
AUD/GBP	0.5844	-0.0001	-0.0002	-0.0002	0.0008	ZAR	10.44	11.64
USD Index	110.26					EQUITIES		
EUR/USD	0.9899	0.0022	0.0062	0.0129	0.0231		Index	
USD/JPY	142.79	-0.40	-1.21	-2.83	-6.02	NZX50	11,599	
GBP/USD	1.1513	0.0006	0.0017	0.0029	0.0015	ASX200	6,827	
EUR/GBP	0.8599	0.0014	0.0041	0.0088	0.0189	Dow Jones	31,152	
						S&P 500	3,908	
INTEREST RATES						FTSE100	7,300	
		New Zealand		Australia		DAX 30	12,871	
		Mid		Mid		Nikkei	27,627	
30 day bank bills		3.16%		2.23%		COMMODITIES		
90 day bank bills		3.54%		2.60%			USD	
1 year swap		4.17%		3.40%		Brent Crude	92.64	
2 year swap		4.29%		3.65%		Gold	1,700.29	
3 year swap		4.26%		3.68%		Silver	17.94	
5 year swap		4.15%		3.71%		Iron Ore	95.55	
10 year swap		4.17%		3.94%		CRB Index	302.87	
3 year Govt bond		3.93%		3.28%			NZD	
5 year Govt bond		3.96%		3.44%		NZ Carbon	87.30	
10 year Govt bond		4.08%		3.72%				

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