

Market Alert

Friday 9 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6052	0.0000
NZD/AUD	0.8966	-0.0031
NZD/JPY	87.17	-1.80
NZD/EUR	0.6053	-0.0076
NZD/GBP	0.5260	-0.0017
NZD/CNH	4.2118	-0.0222
AUD/USD	0.6750	0.0022
AUD/EUR	0.6750	-0.0063
EUR/USD	0.9997	0.0127
USD/CNH	6.9582	-0.0375
GBP/USD	1.1504	0.0032
EUR/GBP	0.8689	0.0082

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.56%	2.65%
2 year swap	4.21%	3.53%
10 year Govt	4.01%	3.64%

The Queen is dead. Long live the King!

I woke this morning to the sad news that Queen Elizabeth II passed away overnight. And while they say, "you can pick your friends, but you can't pick your family" you have to say Queen Elizabeth always commanded respect and admiration, while maintaining a sense of class and style. RIP Queen Elizabeth.

As expected, the ECB raised its interest rates by 75bps overnight. The main refinancing rate is now at 1.25%, the

marginal lending facility at 1.50%, and the deposit facility is at 0.75%. Policymakers also warned that rates will rise further over the next several meetings with 'sources' suggesting a 75bps hike in October is a distinct possibility. In announcing its largest hike, the ECB has essentially given up on inflation targeting as it seeks to restore its inflation-fighting credibility, but in amongst this hawkish tone, the ECB's forecast of 0.9% GDP growth in 2023 appears to be rather optimistic.

We also had a few central bank speakers on the newswires, but the focus was on Chair Powell's speech, where he explicitly placed his line in the sand reiterating, "We need to keep going until we get the job done. We are strongly committed to bringing inflation down and we will not be influenced by political considerations. We have a precious grant of independence which allows us to pursue our goals without intervention. Federal fiscal policy is not on a sustainable path. We think our policy moves will be able to put growth below trend and get the labour market back into balance. We do not see the case for moving to a single mandate on inflation vs. maximum employment, we can achieve both goals in the medium-term." And right on cue, Goldman Sachs raised their forecast for a +75bp hike in September.

In terms of data, US initial claims decreased by 6,000 to 222,000 while consumer credit increased by USD23.8 billion in July.

RBA Governor, Phillip Lowe, announced "more rate hikes are coming, but there is no pre-set path. How high rates need to go, and how quickly, will be guided by data, the inflation outlook, and the labour market. The recent data continues to suggest resilience in Australian consumer spending (although) we are conscious of lags in the operation of monetary policy and that rates have risen very quickly." But didn't someone say 'Chinese slowdown' after the Australian July trade surplus plummeted to AUD8.7 billion, down from June's AUD17.7 billion and below the forecast AUD14.5 billion, as exports fell 10% while imports jumped 5.0%.

S&P Ratings have run their numbers on the possibility of a US recession stating, "Our qualitative assessment of recession risk over the next 12 months is 45%. We see the risks closer to 50% heading into 2023" while the Atlanta Fed GDP model for the September quarter now sees growth at 1.4%, which is down from last week's 2.6%.

Equity markets gyrated throughout their session but are rallying into the close, as are commodities. The US 10 year bond managed a modest 4bps rally to yield 3.31%, while FX markets were steady with the NZD and AUD flatlining.



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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	70.50					CAD	0.7923	0.8836
NZD/USD	0.6052	0.0000	-0.0001	0.0000	-0.0002	CHF	0.5874	0.6553
NZD/AUD	0.8966	-0.0005	-0.0016	-0.0031	-0.0046	CNY	4.2088	4.6915
NZD/JPY	87.17	-0.24	-0.79	-1.80	-3.80	DKK	4.5005	5.0196
NZD/EUR	0.6053	-0.0012	-0.0038	-0.0076	-0.0140	FJD	1.3342	1.4881
NZD/GBP	0.5260	-0.0003	-0.0010	-0.0017	-0.0019	HKD	4.7503	5.2981
						KRW	837.76	934.38
AU TWI	62.60					MYR	2.7228	3.0368
AUD/USD	0.6813	0.0003	0.0010	0.0022	0.0023	NOK	6.0790	6.7801
AUD/NZD	0.6535	0.0005	0.0016	0.0034	0.0045	SEK	6.4823	7.2299
AUD/JPY	97.20	-0.21	-0.72	-1.69	-3.73	SGD	0.8501	0.9481
AUD/EUR	0.6750	-0.0010	-0.0032	-0.0063	-0.0122	TWD	18.71	20.87
AUD/GBP	0.5867	-0.0001	-0.0001	0.0000	0.0011	ZAR	10.59	11.82
USD Index	109.66					EQUITIES		
EUR/USD	0.9997	0.0020	0.0060	0.0127	0.0218		Index	
USD/JPY	144.01	-0.39	-1.28	-2.97	-6.27	NZX50	11,678	
GBP/USD	1.1504	0.0006	0.0018	0.0032	0.0023	ASX200	6,849	
EUR/GBP	0.8689	0.0012	0.0037	0.0082	0.0172	Dow Jones	31,775	
						S&P 500	3,989	
INTEREST RATES		New Zealand		Australia		FTSE100	7,262	
		Mid		Mid		DAX 30	12,904	
30 day bank bills		3.20%		2.36%		Nikkei	28,065	
90 day bank bills		3.56%		2.65%		COMMODITIES		
1 year swap		4.14%		3.33%			USD	
2 year swap		4.21%		3.53%		Brent Crude	88.61	
3 year swap		4.17%		3.54%		Gold	1,707.26	
5 year swap		4.08%		3.64%		Silver	18.49	
10 year swap		4.11%		3.94%		Iron Ore	97.19	
3 year Govt bond		3.86%		3.14%		CRB Index	298.30	
5 year Govt bond		3.88%		3.31%			NZD	
10 year Govt bond		4.01%		3.64%		NZ Carbon	85.70	

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