

Market Alert

Friday 21 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5673	0.0005
NZD/AUD	0.9037	-0.0054
NZD/JPY	85.21	-2.10
NZD/EUR	0.5802	-0.0079
NZD/GBP	0.5052	-0.0016
NZD/CNH	4.1187	-0.0443
AUD/USD	0.6277	0.0042
AUD/EUR	0.6415	-0.0050
EUR/USD	0.9781	0.0141
USD/CNH	7.2571	-0.0838
GBP/USD	1.1228	0.0039
EUR/GBP	0.8709	0.0091

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.18%	3.05%
2 year swap	5.31%	4.15%
10 year Govt	4.74%	4.17%

Looking at the markets, you'd think not a lot had happened overnight!

But then again, there is the international world of UK politics ... And yes, the lettuce won!

Current UK Prime Minister, Liz Truss, has confirmed she is resigning after just 45 days in office, becoming the shortest serving PM in UK history. By all accounts there will be a new PM in the hotseat within a week with Rishi Sunak, Penny Mordaunt, and Jeremy Hunt the leading contenders ... just don't mention that beacon of stability, Boris (Bojo) Johnson! This saw BoE Deputy Governor, Ben Broadbent state, "The justification for tighter policy is clear. Market pricing of bank rate path implies pretty material hit to

demand. Whether interest rates have to rise by as much as currently priced in financial markets remains to be seen." In amongst all of this, the GBP flatlined against the USD while the 10-year gilt is 7 pips higher at 3.94%.

But away from the comedy ...

Chicago Fed President Charles Evan announced, "Beginning rate hikes six months earlier would have made sense. The Fed is honing-in on the proper level for restrictive monetary policy. At some point rate increases could have a non-linear impact with businesses becoming more pessimistic. If the Fed pushes policy rate much further than planned, it could weigh on the economy." Meanwhile Philadelphia Fed President Patrick Harker was even more explicit stating, "We are going to keep raising rates for a while. Given our frankly disappointing lack of progress on curtailment of inflation, I expect we will be well above 4% by the end of the year."

Most of last night's data was second tier ... but here we go. US initial claims fell by 12,000 to 214,000 to halt expectations of a loosening labour market, while home sales fell by -1.5% to a seasonally adjusted annual rate of 4.71 million, in what was its lowest level since May 2020, and the Philadelphia Fed manufacturing index edged up a point although it remained negative at -8.7, which was below market expectations of -5.0. We also had German PPI's fall to 2.3% from 7.9%, while the Eurozone August current account balance fell to EUR-26.3 billion verse July's EUR-19.9 billion.

The Australian September employment report saw 13,300 full time jobs added to the workforce, and while it was lower than August's revised 55,000 the participation rate and unemployment rate were both in-line with expectations at 66.6% and 3.5%. Finally, the PBoC left the 1 and 5-year loan prime rates unchanged at 3.65% and 4.30%.

In terms of market activity, USD/JPY breached the 150.00 level but as yet, there hasn't been any intervention. We have had a lot of jawboning, with Japanese Finance Minister Suzuki maintaining, "we are closely watching forex with sense of urgency" but let's wait for that bang. Equity markets weakened in the US and flatlined across Europe, while the Patrick Harker comments saw US yields trade higher with the 10-year 10 pips higher at 4.22% which underpinned international yields with the Australian 10-year 16bps higher at 4.10% and the NZ 10-year yield at 4.66%. The currency markets were, in comparison to the bond markets, very quiet.

Fire sale ...

Quite literally! This morning my New Zealand M&A feed has 8 forests and 2 farms up for sale!



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Daily Rates

Friday 21 October 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	68.40					CAD	0.7815	0.8650
NZD/USD	0.5673	0.0002	0.0004	0.0005	0.0001	CHF	0.5696	0.6305
NZD/AUD	0.9037	-0.0004	-0.0023	-0.0054	-0.0096	CNY	4.1250	4.5691
NZD/JPY	85.21	-0.26	-0.98	-2.10	-4.48	DKK	4.3131	4.7723
NZD/EUR	0.5802	-0.0011	-0.0042	-0.0079	-0.0151	FJD	1.3190	1.4599
NZD/GBP	0.5052	-0.0002	-0.0010	-0.0016	-0.0024	HKD	4.4530	4.9287
						KRW	810.17	896.72
AU TWI	60.00					MYR	2.6816	2.9671
AUD/USD	0.6813	0.0005	0.0020	0.0042	0.0060	NOK	6.0438	6.6873
AUD/NZD	0.6535	0.0004	0.0027	0.0058	0.0106	SEK	6.3919	7.0747
AUD/JPY	94.27	-0.25	-0.85	-1.76	-4.01	SGD	0.8079	0.8940
AUD/EUR	0.6415	-0.0010	-0.0030	-0.0050	-0.0102	TWD	18.21	20.15
AUD/GBP	0.5589	0.0000	0.0003	0.0015	0.0031	ZAR	10.39	11.49
USD Index	112.92					EQUITIES		
EUR/USD	0.9781	0.0022	0.0076	0.0141	0.0248		Index	
USD/JPY	150.10	-0.52	-1.83	-3.80	-7.90	NZX50	10,832	
GBP/USD	1.1228	0.0008	0.0028	0.0039	0.0045	ASX200	6,731	
EUR/GBP	0.8709	0.0013	0.0044	0.0091	0.0181	Dow Jones	30,296	
						S&P 500	3,658	
						FTSE100	6,944	
						DAX 30	12,767	
						Nikkei	27,007	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.66%		2.82%			
90 day bank bills			4.18%		3.05%			
1 year swap			5.25%		3.86%			
2 year swap			5.31%		4.15%			
3 year swap			5.20%		4.20%			
5 year swap			5.02%		4.25%			
10 year swap			4.93%		4.52%			
3 year Govt bond			4.73%		3.66%			
5 year Govt bond			4.70%		3.85%			
10 year Govt bond			4.74%		4.17%			
						COMMODITIES		
							USD	
						Brent Crude	92.34	
						Gold	1,628.91	
						Silver	18.62	
						Iron Ore	94.86	
						CRB Index	291.93	
							NZD	
						NZ Carbon	80.90	

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