

Market Alert

Monday 31 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5813	0.0013
NZD/AUD	0.9065	-0.0038
NZD/JPY	85.72	-1.96
NZD/EUR	0.5834	-0.0069
NZD/GBP	0.5014	-0.0014
NZD/CNH	4.1845	0.0000
AUD/USD	0.6401	0.0040
AUD/EUR	0.6422	-0.0050
EUR/USD	0.9963	0.0138
USD/CNH	7.2697	0.0000
GBP/USD	1.1584	0.0049
EUR/GBP	0.8577	0.0076

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.09%	3.13%
2 year swap	4.97%	3.97%
10 year Govt	4.32%	3.85%

Congratulations and jublations

First up, congratulations to the Black Ferns for making the WC semis and the Breakers for their impressive form recently, but let's hold off on passing judgement on the All Blacks for now!

Friday night saw the Federal Reserve's preferred inflation measure, the PCE deflator, accelerated in September but less than forecast. This saw the core PCE deflator print at 0.5% on the month and tick up to 5.1% in the 12 months to September from August's 4.9%, although the consensus was for a 5.2% print so that was a mild positive. On a headline basis, the headlines remained flat at 0.3% and 6.2%.

So, with the inflation headlines providing a positive narrative, what did the other US releases tell us? Well, it highlighted that US consumers are more than happy to keep on 'hitting the plastic' after personal spending increased 0.6% in September. This was in-line with August's revised print, while personal income also increased at 0.4%, which was the same as in August. The Michigan Sentiment survey improved slightly to 59.9 from 59.6, while the 1-year inflation expectations eased to 5.0% from 5.1% as the 5 to 10-year outlook unsurprisingly flatlined at 2.9%.

Which brings us nicely to the next point, with the latest Bloomberg survey of economists predicating Federal Reserve officials will maintain their resolutely hawkish stance this week hiking the cash rate for a fourth consecutive 75bps rate hike. This would lay the groundwork for interest rates to potentially reach 5.0% by March 2023 in a move that will likely lead to a US and global recession. Well, that's a positive way to start a new working week!

In other headlines, the BoJ left its policy unchanged while PM Fumio Kishida announced a new JPY71.6 trillion (USD490 billion) stimulus package. Germany's inflation rose further to 10.4% in the year to October, which was a new all-time high and above market expectations of 10.1%. The deepening energy crisis and supply chain interruptions continued to impact, while Canadian Q3 GDP expanded 0.4%

as expansions in oil and gas extraction, manufacturing, and the public sector more than offset declines in construction activity.

As appears to be the case most days, any mildly positive news is equity supportive, so Friday's mildly positive PCE news saw international bourses have a stellar session while commodity markets eased a touch, which saw oil fall a percent. Bond prices saw some profit taking after last week's excessive rally, which saw the US 10-year yield jump 7bps to 4.01%, while the 10-year gilt gained 9bps to yield 3.495%. The NZD and AUD both closed just above the 0.5800 and 0.6400 levels.

It's going to be another busy week!

With the Federal Reserve's interest rate decision and non-farm payrolls taking centre stage! We also have central bank meetings in the United Kingdom and Australia, while the Eurozone will release their latest GDP and inflation prints. Finally, in New Zealand we have unemployment and wage releases, while China will be releasing their manufacturing and services PMIs for October.

Daily Rates

Monday 31 October 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.60					CAD	0.7906	0.8723
NZD/USD	0.5813	0.0002	0.0007	0.0013	0.0011	CHF	0.5790	0.6363
NZD/AUD	0.9065	-0.0004	-0.0018	-0.0038	-0.0077	CNY	4.2024	4.6394
NZD/JPY	85.72	-0.25	-0.93	-1.96	-4.26	DKK	4.3414	4.7805
NZD/EUR	0.5834	-0.0010	-0.0036	-0.0069	-0.0143	FJD	1.3152	1.4482
NZD/GBP	0.5014	-0.0002	-0.0010	-0.0014	-0.0026	HKD	4.5626	5.0241
						KRW	826.41	910.00
AU TWI	61.50					MYR	2.7437	3.0213
AUD/USD	0.6813	0.0005	0.0020	0.0040	0.0061	NOK	5.9790	6.5838
AUD/NZD	0.6535	0.0004	0.0019	0.0042	0.0082	SEK	6.3591	7.0024
AUD/JPY	94.51	-0.24	-0.85	-1.78	-3.96	SGD	0.8200	0.9029
AUD/EUR	0.6422	-0.0008	-0.0028	-0.0050	-0.0106	TWD	18.67	20.55
AUD/GBP	0.5521	0.0000	0.0000	0.0007	0.0017	ZAR	10.53	11.59
USD Index	110.67					EQUITIES		
EUR/USD	0.9963	0.0021	0.0074	0.0138	0.0259		Index	
USD/JPY	147.45	-0.49	-1.79	-3.69	-7.68	NZX50	11,130	
GBP/USD	1.1584	0.0009	0.0031	0.0049	0.0063	ASX200	6,786	
EUR/GBP	0.8577	0.0011	0.0036	0.0076	0.0161	Dow Jones	32,862	
						S&P 500	3,901	
INTEREST RATES						FTSE100	7,048	
		New Zealand		Australia		DAX 30	13,243	
		Mid		Mid		Nikkei	27,105	
30 day bank bills		3.76%		2.89%		COMMODITIES		
90 day bank bills		4.09%		3.13%			USD	
1 year swap		4.95%		3.80%		Brent Crude	95.77	
2 year swap		4.97%		3.97%		Gold	1,641.76	
3 year swap		4.87%		3.94%		Silver	19.23	
5 year swap		4.69%		4.06%		Iron Ore	93.01	
10 year swap		4.62%		4.36%		CRB Index	293.59	
3 year Govt bond		4.39%		3.34%			NZD	
5 year Govt bond		4.33%		3.51%		NZ Carbon	84.75	
10 year Govt bond		4.32%		3.85%				

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