

Market Alert

Thursday 6 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5741	0.0012
NZD/AUD	0.8827	-0.0033
NZD/JPY	82.96	-1.80
NZD/EUR	0.5803	-0.0070
NZD/GBP	0.5057	0.0003
NZD/CNH	4.0564	-0.0181
AUD/USD	0.6503	0.0037
AUD/EUR	0.6572	-0.0056
EUR/USD	0.9891	0.0139
USD/CNH	7.0653	-0.0459
GBP/USD	1.1349	0.0011
EUR/GBP	0.8714	0.0109

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	3.86%	2.90%
2 year swap	4.45%	3.71%
10 year Govt	4.14%	3.75%

This man's not for turning ...

... even if interest rates are going up and everyone's mortgages are going to be re-setting higher! But while this is painful, we need to take our medicine from the sugar-induced free money rush we had during Covid. It will be tough, it will be painful, but this RBNZ Governor knows inflation needs to be stamped out! This was the 5th consecutive 50bp rate hike from the powers that be at No 2 The Terrace, and they even let slip a 75bp rate hike was considered as *"core consumer price inflation is too high*

and labour resources are scarce," while *"productive capacity is still being constrained by labour shortages, and wage pressures are heightened."* Furthermore, global price pressures remain *"heightened!"*

Interestingly, while the NZD and interest rates immediately spiked following the statements, they quickly fell back into their prior ranges as the USD-index reversed this week's weakness. This saw GBP plummet 1.25% while the EUR gave up 1.0%. The AUD performed better, trading flat on the day, although the NZD/AUD has firmed back to the 0.8835 level. Currency forecasters are also buzzing after Goldmans forecasting USD/JPY could reach 155.00 and GBP/USD will drop under parity, while ING stated the EUR/USD has a *"high risk of a returning to 0.9500 over the coming weeks."*

OPEC+ has agreed to cut production by 2m barrels per day today, double the volume previously flagged! The move came despite pressures from the US, arguing that economic fundamentals did not support such a reduction! This saw oil add a further 1.75% to this week's rally with WTI at USD87.75 and Brent at USD93.40.

US ISM services PMIs came in slightly lower in September at 56.7 from August's 56.9, although it exceeded forecasts at 56, while private businesses added 208k jobs in September, slightly above market

forecasts of 200k. In other US news, the trade deficit narrowed to USD67.4bn in August against expectation at USD67.7, while the US mortgage rate reach its highest level in 16-years after the 30-year fixed-rate mortgage reached 6.75%. In Europe, the German trade surplus under-shot expectations at EUR1.2bn, against a forecast EUR4.0bn.

Goldman Sachs has produced a recession index rating the likelihood of those countries that will enter a recession. The UK took out the top spot on the basis that they are *"already in an energy-driven recession."* Second was Canada as the *"recession risk is elevated, where employment and housing are weak"* with the USA closely behind in third. Finally, Australia finished fourth given, *"wage and price inflation are closer to targets."* Goldmans didn't rank New Zealand as they believe it's a state in Australia!

Hopes that the global tightening cycle is entering its last phase were shot down by Mary Daly's comments, *"for us, the path is clear; we are going to raise rates to restrictive territory, then hold them there for a while,"* and when asked about the possibility of a Fed rate cut next year, she replied, *"I don't see that happening at all!"* This saw the T-bond reverse some of this week's losses jumping 13bps to yield 3.76%, while equity markets sold-off, but recovered being off almost -2.0% on the day after a 'chunky' options trade.



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Daily Rates

Thursday 6 October 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	68.10					CAD	0.7809	0.8848
NZD/USD	0.5741	0.0000	0.0005	0.0012	0.0009	CHF	0.5640	0.6389
NZD/AUD	0.8827	-0.0005	-0.0018	-0.0033	-0.0054	CNY	4.0526	4.5918
NZD/JPY	82.96	-0.24	-0.90	-1.80	-3.78	DKK	4.3162	4.8883
NZD/EUR	0.5803	-0.0012	-0.0041	-0.0070	-0.0128	FJD	1.3143	1.4886
NZD/GBP	0.5057	-0.0004	-0.0007	0.0003	0.0028	HKD	4.5065	5.1039
						KRW	812.15	919.81
AU TWI	61.20					MYR	2.6575	3.0098
AUD/USD	0.6813	0.0004	0.0018	0.0037	0.0053	NOK	6.0323	6.8319
AUD/NZD	0.6535	0.0002	0.0021	0.0038	0.0062	SEK	6.2772	7.1092
AUD/JPY	93.95	-0.23	-0.83	-1.72	-3.71	SGD	0.8173	0.9258
AUD/EUR	0.6572	-0.0011	-0.0034	-0.0056	-0.0103	TWD	18.12	20.52
AUD/GBP	0.5727	-0.0001	0.0003	0.0023	0.0069	ZAR	10.21	11.56
USD Index	111.16					EQUITIES		
EUR/USD	0.9891	0.0021	0.0077	0.0139	0.0242		Index	
USD/JPY	144.49	-0.43	-1.68	-3.37	-7.07	NZX50	11,180	
GBP/USD	1.1349	0.0007	0.0022	0.0011	-0.0036	ASX200	6,816	
EUR/GBP	0.8714	0.0011	0.0049	0.0109	0.0239	Dow Jones	30,383	
						S&P 500	3,786	
						FTSE100	7,053	
						DAX 30	12,517	
						Nikkei	27,121	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.55%		2.68%			
90 day bank bills			3.86%		2.90%			
1 year swap			4.47%		3.48%			
2 year swap			4.45%		3.71%			
3 year swap			4.36%		3.75%			
5 year swap			4.23%		3.79%			
10 year swap			4.24%		4.05%			
3 year Govt bond			3.98%		3.28%			
5 year Govt bond			4.00%		3.46%			
10 year Govt bond			4.14%		3.75%			
						COMMODITIES		
							USD	
						Brent Crude	93.44	
						Gold	1,717.39	
						Silver	20.69	
						Iron Ore	95.21	
						CRB Index	302.86	
							NZD	
						NZ Carbon	78.20	

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