

# Market Alert

Wednesday 16 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6153	0.0015
NZD/AUD	0.9107	-0.0041
NZD/JPY	85.65	-1.94
NZD/EUR	0.5961	-0.0065
NZD/GBP	0.5196	-0.0013
NZD/CNH	4.3372	-0.0425
AUD/USD	0.6755	0.0046
AUD/EUR	0.6540	-0.0044
EUR/USD	1.0324	0.0138
USD/CNH	7.0518	-0.0861
GBP/USD	1.1840	0.0054
EUR/GBP	0.8719	0.0073

  

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.19%	3.10%
2 year swap	4.94%	3.78%
10 year Govt	4.29%	3.85%

## RBA States the Obvious

In stating what everyone is distinctly aware of, the minutes of the RBA's November meeting revealed that "members commenced their discussion of international economic developments by observing that inflation abroad had remained high" and that "inflation outcomes for the major advanced economies had continued mostly to surprise on the upside". In a more relevant statement, the board did not rule out further 50bp hikes or a pause in hiking. The minutes stated the board considered a 50bp hike in November but saw a stronger case for a 25bp hike. The RBA also noted "Members

saw the path to achieving this balance [between growth and inflation within target] as a narrow one clouded in uncertainty". The market has priced in just 21bp for the December meeting, suggesting no chance of a return to 50-point hikes, and 100bp of hikes by September 2023.

Australian supply chains are facing chaos after its largest tugboat operator has warned it will lock out its crews from Friday in the latest chapter of a bitter three-year pay dispute. When the lockout becomes effective, no shipping vessels will be towed in or out of 17 Australian ports otherwise serviced by Svitzer.

The Times has reported UK PM Sunak will announce a significant rise in the national living wage and eight million households will get cost of living payments worth up to GBP1,100.

Buffett's Berkshire Hathaway bought more than USD4.1bn of stock in Taiwan Semiconductor Manufacturing Co (TSMC), which suggests the 'oracle of investing' is bullish on the world economy which should help risk assets.

More Chinese data missed the mark yesterday with retail sales falling -0.5% from a year earlier, well short of the expected +0.7%, and industrial production rose 5.0% y/y against 5.4% estimated. The data will likely see upward momentum over the next few months following the raft of stimulus measures announced earlier this week.

The GDT auction was overall positive

result with the index increasing 2.4% after three-consecutive declined in the previous auctions. Prices for whole milk powder and skim milk powder both increased 3.1%, while butter and cheddar prices are marginally down.

## From the Currency Desk

Goldman Sachs Research targets the USD/JPY to reach 155.00 in the next 3 months. This view likely got a boost today as Japan's September quarter preliminary GDP reading came in at -0.3% q/q from the June quarter, well short of the +0.3% expected. However, this was partly caused by an upward revision in the June number from +0.5% to +0.9%.

Morgan Stanley, however, expects the US dollar to peak as uncertainty around the Fed rate tightening abates, with the Fed forecast to make its final rate hike in January 2023, with a rate cut to follow in Q4 2023. The euro is also set to outperform as investor flows resume and the ECB is set to make its final rate increase in March 2023. MS likes long EUR/GBP and long NZD/USD as trades. It also sees Brent oil prices at USD110 per barrel by end of 2023. The USD weakened further over night as PPI data came in lower than expected, briefly pushing the NZD/USD further to 0.6200 but has since retreated and currently sits at 0.6144.

Yet again, Russia is back making headlines, this time for launching a missile into the NATO state Poland on the Ukraine border.



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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	70.90					CAD	0.8187	0.8989
NZD/USD	0.6153	0.0002	0.0011	0.0015	0.0012	CHF	0.5818	0.6386
NZD/AUD	0.9107	-0.0005	-0.0017	-0.0041	-0.0083	CNY	4.3238	4.7380
NZD/JPY	85.65	-0.28	-0.91	-1.94	-4.16	DKK	4.4324	4.8661
NZD/EUR	0.5961	-0.0011	-0.0034	-0.0065	-0.0133	FJD	1.3499	1.4818
NZD/GBP	0.5196	-0.0002	-0.0007	-0.0013	-0.0029	HKD	4.8130	5.2839
						KRW	810.79	889.98
AU TWI	62.00					MYR	2.7873	3.0600
AUD/USD	0.6813	0.0006	0.0023	0.0046	0.0077	NOK	6.1668	6.7701
AUD/NZD	0.6535	0.0005	0.0017	0.0042	0.0093	SEK	6.4665	7.0981
AUD/JPY	94.01	-0.26	-0.84	-1.73	-3.74	SGD	0.8441	0.9268
AUD/EUR	0.6540	-0.0009	-0.0026	-0.0044	-0.0088	TWD	19.11	20.98
AUD/GBP	0.5704	0.0000	0.0003	0.0010	0.0017	ZAR	10.66	11.70
USD Index	106.92					<b>EQUITIES</b>		
EUR/USD	1.0324	0.0023	0.0076	0.0138	0.0251		<b>Index</b>	
USD/JPY	139.16	-0.51	-1.73	-3.49	-7.16	NZX50	11,239	
GBP/USD	1.1840	0.0009	0.0033	0.0054	0.0087	ASX200	7,142	
EUR/GBP	0.8719	0.0012	0.0037	0.0073	0.0144	Dow Jones	33,471	
						S&P 500	3,969	
						FTSE100	7,369	
						DAX 30	14,379	
						Nikkei	27,990	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>			
			<b>Mid</b>		<b>Mid</b>			
30 day bank bills			4.07%		2.92%			
90 day bank bills			4.19%		3.10%			
1 year swap			4.99%		3.62%			
2 year swap			4.94%		3.78%			
3 year swap			4.77%		3.77%			
5 year swap			4.55%		3.83%			
10 year swap			4.51%		4.16%			
3 year Govt bond			4.33%		3.30%			
5 year Govt bond			4.26%		3.47%			
10 year Govt bond			4.29%		3.85%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	95.59	
						Gold	1,779.09	
						Silver	21.59	
						Iron Ore	92.09	
						CRB Index	304.45	
							<b>NZD</b>	
						NZ Carbon	88.17	

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