

Market Alert

Thursday 17 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6134	0.0014
NZD/AUD	0.9126	-0.0044
NZD/JPY	85.69	-1.97
NZD/EUR	0.5921	-0.0068
NZD/GBP	0.5163	-0.0014
NZD/CNH	4.3348	-0.0427
AUD/USD	0.6722	0.0046
AUD/EUR	0.6484	-0.0044
EUR/USD	1.0361	0.0140
USD/CNH	7.1052	-0.0853
GBP/USD	1.1877	0.0055
EUR/GBP	0.8722	0.0076

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.18%	3.10%
2 year swap	4.91%	3.73%
10 year Govt	4.27%	3.83%

The Donald is back!

It's all becoming rather comical ... again! With everything that is going on in the global economy, rampant inflation, geopolitical tensions, and wars, what better way to close out the year than with Donald Trump officially announcing his running for presidency in the 2024 election. He is also the first of either party to formally declare.

Retail sales in the US surged 1.3% in October, after a flat reading in September, beating market forecasts of a 1.0% gain. Core sales, which strip out auto and fuel purchases, also surged, jumping 0.9% on the month, above expectations of 0.2%.

Against this, shares in US retailer Target plunged after warnings US shoppers are pulling back. Interestingly, October container volumes at the Port of Los Angeles fell to their lowest levels since 2009 as shippers shifted volumes to Eastern and Gulf ports to avoid possible disruptions due to the on-going labour talks. In other US releases, industrial production decreased -0.1%, down from 0.4% in October, while capacity utilisation also eased back, to 79.9% from 80.4%.

San Fran Fed President Mary Daly announced she expects the Fed to raise interest rates at least another percentage point, adding *"Pausing is off the table right now. It's not even part of the discussion."* Another Fed member noted that inflation is at risk of becoming entrenched in the economy from an overheated job market, making it increasingly difficult to bring inflation down without a recession while Fed regulator Michael Barr announced, *"We are paying attention to liquidity issues in Treasury markets. I do not believe that crypto-related activity poses a systemic threat."*

ECB 'sources' suggest officials favour a 50bps hike in December rather than the 75bps some economists are calling for.

Following on from the missile launched into Poland, the EU is set to ban Russian crude flows from December. OPEC has also trimmed its global oil demand growth forecasts for 2022 and 2023 again, citing mounting economic challenges such as

high inflation, rising interest rates, and supply chain disruptions.

No respite from UK inflation

UK inflation hit a 41-year high in October as soaring energy bills impacted. Headline inflation reached 11.1%, above expectations of 10.7%, while the core flatlined at 6.5%. The headline print will add pressure on the BoE to raise interest rates again, with markets pricing a peak at 4.65%, from its current rate of 3.00%.

Australia's seasonally adjusted Wage Price Index increased by a steady 3.1% year-on-year, accelerating from a 2.6% gain in the year to June and above market forecasts of a 3.0% increase. This was the highest increase since 2013.

International equity markets came under selling pressure overnight, predominately driven by the stronger than expected US retail sales numbers that recast bets the Fed policy tightening may be nearing an end. Strangely, bond pricing took a different view as yields eased back, with the US 10-year Treasury yield 5bps lower at 3.71%. The USD Index was steady while commodity markets were also weak, with crude falling a further -2.0%.



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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	71.20					CAD	0.8181	0.8966
NZD/USD	0.6134	0.0002	0.0010	0.0014	0.0015	CHF	0.5797	0.6355
NZD/AUD	0.9126	-0.0005	-0.0019	-0.0044	-0.0090	CNY	4.3690	4.7867
NZD/JPY	85.69	-0.28	-0.96	-1.97	-4.22	DKK	4.4024	4.8237
NZD/EUR	0.5921	-0.0011	-0.0036	-0.0068	-0.0139	FJD	1.3484	1.4775
NZD/GBP	0.5163	-0.0002	-0.0007	-0.0014	-0.0028	HKD	4.7990	5.2582
						KRW	818.72	897.07
AU TWI	62.50					MYR	2.7848	3.0513
AUD/USD	0.6813	0.0006	0.0025	0.0046	0.0078	NOK	6.1553	6.7443
AUD/NZD	0.6535	0.0005	0.0020	0.0049	0.0096	SEK	6.4470	7.0639
AUD/JPY	93.89	-0.25	-0.87	-1.73	-3.77	SGD	0.8415	0.9221
AUD/EUR	0.6484	-0.0009	-0.0026	-0.0044	-0.0090	TWD	19.10	20.93
AUD/GBP	0.5657	0.0001	0.0003	0.0010	0.0024	ZAR	10.59	11.60
USD Index	106.57					EQUITIES		
EUR/USD	1.0361	0.0022	0.0079	0.0140	0.0260		Index	
USD/JPY	139.67	-0.50	-1.80	-3.51	-7.29	NZX50	11,231	
GBP/USD	1.1877	0.0009	0.0035	0.0055	0.0087	ASX200	7,122	
EUR/GBP	0.8722	0.0012	0.0040	0.0076	0.0148	Dow Jones	33,551	
						S&P 500	3,962	
						FTSE100	7,351	
						DAX 30	14,234	
						Nikkei	28,028	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			4.09%		2.91%			
90 day bank bills			4.18%		3.10%			
1 year swap			4.98%		3.60%			
2 year swap			4.91%		3.73%			
3 year swap			4.73%		3.78%			
5 year swap			4.51%		3.83%			
10 year swap			4.47%		4.18%			
3 year Govt bond			4.31%		3.28%			
5 year Govt bond			4.25%		3.45%			
10 year Govt bond			4.27%		3.83%			
						COMMODITIES		
							USD	
						Brent Crude	92.42	
						Gold	1,772.48	
						Silver	21.43	
						Iron Ore	92.29	
						CRB Index	306.86	
							NZD	
						NZ Carbon	88.25	

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