

Market Alert

Thursday 24 November 2022

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6246 | 0.0007 |
| NZD/AUD | 0.9255 | -0.0056 |
| NZD/JPY | 87.16 | -2.11 |
| NZD/EUR | 0.6008 | -0.0074 |
| NZD/GBP | 0.5178 | -0.0019 |
| NZD/CNH | 4.4112 | -0.0593 |
| AUD/USD | 0.6734 | 0.0047 |
| AUD/EUR | 0.6476 | -0.0042 |
| EUR/USD | 1.0395 | 0.0137 |
| USD/CNH | 7.1515 | -0.1026 |
| GBP/USD | 1.2059 | 0.0051 |
| EUR/GBP | 0.8619 | 0.0072 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 4.25% | 2.85% |
| 90 day bills | 4.42% | 3.12% |
| 2 year swap | 5.25% | 3.82% |
| 10 year Govt | 4.28% | 3.69% |

Following on from writing his name into the New Zealand history books ...

... with New Zealand's largest ever OCR increase, Adrian Orr advised the public to 'cool the jets' and to "think about saving rather than consuming. I know it's a strange concept." Basically, this Governor is going to hike until it hurts ... and it will hurt!

While the OCR increase to 4.25% from 3.5% was forecast by most economists, the RBNZ's increase in the perceived OCR peak to 5.5% in Q2-Q3 2023 was a significant increase from their previous 4.1% peak. The committee considered raising the OCR by as much as 100bps with Mr. Orr warning that a shallow

recession for 2-3 quarters next year was likely and that the only way to get rid of it is to reduce spending. He then added household spending must "come back down" and that inflation expectations need to be anchored to prevent a "heinous spiral." Currently, the break down between domestic and global inflation pressures is about 50:50, "an even balance," but the record levels of employment meant the labour market is adding to the stimulus. But while the RBNZ wants to get into a position where it can "watch, worry and wait" about where inflation is headed, the message Mr. Orr emphasised was that many of the price pressures in the economy, including the run-up in housing prices, were the result of factors beyond the RBNZ's control, i.e., it's a fiscal issue as well! Always the political beast, Mr. Orr didn't directly blame the very people who extended his contract for another 5-years, but simply; immigration, government spending, and supply/demand issues - all directly related to government!

And speaking of the Government, ahead of the RBNZ, Finance Minister Grant Robertson announced that a global recession "is on our doorstep" and that it is "inevitable" that interest rates in New Zealand will rise to curb inflation. As a result of higher borrowing costs and a global slowdown, the domestic economy "faces significant challenges."

Australian preliminary PMIs showed manufacturing falling to 51.5 from 52.7 while services plummeting to

47.2 from 49.3. Eurozone composite PMIs rose in November to 47.8 from 47.3 as German factory output shrank for a fifth consecutive month. In the US, manufacturing PMIs fell to 47.6 in November from 50.4, durable goods orders increased 1.0% in from 0.3%, jobless claims came in higher than forecast at 240,000, and new home sales rose by 7.5%.

We also had some central bank commentary with the Fed's Esther George announcing, "As we tighten policy, excess savings is going to be key factor as savings could provide further impetus to consumption." We then had the BoE's Pill state, "Further rate action likely to be required to ensure inflation will return to 2.0%" while the ECB's Centeno added, "75bps interest rate hikes cannot be the norm."

The PBoC cut their reserve requirement ratio by 25bps for most banks, and by 50bps for smaller lenders.

Ahead of the Thanksgiving holiday, equity markets were mildly positive, although oil prices sank -4.0% as the EU suggested a Russian oil price cap around USD65-USD70. The T-bond was 2bps lower at 3.73%, although NZ swap prices remained steady from their post-RBNZ spike. The 2x10 year spread is at -80bps this morning. The NZD/USD also gapped higher and is now above the 0.6200 level, although NZD/AUD remains flat on last night's close.



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Daily Rates

Thursday 24 November 2022

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|--------------------|------------------|---------|---------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 72.20 | | | | | CAD | 0.8337 | 0.8991 |
| NZD/USD | 0.6246 | 0.0001 | 0.0007 | 0.0007 | -0.0003 | CHF | 0.5884 | 0.6345 |
| NZD/AUD | 0.9255 | -0.0007 | -0.0023 | -0.0056 | -0.0117 | CNY | 4.4450 | 4.7888 |
| NZD/JPY | 87.16 | -0.32 | -1.00 | -2.11 | -4.58 | DKK | 4.4672 | 4.8162 |
| NZD/EUR | 0.6008 | -0.0013 | -0.0037 | -0.0074 | -0.0152 | FJD | 1.3670 | 1.4738 |
| NZD/GBP | 0.5178 | -0.0003 | -0.0009 | -0.0019 | -0.0043 | HKD | 4.8831 | 5.2646 |
| | | | | | | KRW | 834.59 | 899.80 |
| AU TWI | 62.00 | | | | | MYR | 2.8557 | 3.0788 |
| AUD/USD | 0.6813 | 0.0006 | 0.0024 | 0.0047 | 0.0081 | NOK | 6.2100 | 6.6949 |
| AUD/NZD | 0.6535 | 0.0007 | 0.0023 | 0.0061 | 0.0125 | SEK | 6.5337 | 7.0442 |
| AUD/JPY | 93.96 | -0.28 | -0.85 | -1.74 | -3.84 | SGD | 0.8601 | 0.9273 |
| AUD/EUR | 0.6476 | -0.0009 | -0.0024 | -0.0042 | -0.0087 | TWD | 19.44 | 20.96 |
| AUD/GBP | 0.5582 | 0.0000 | 0.0004 | 0.0012 | 0.0023 | ZAR | 10.60 | 11.42 |
| USD Index | 106.13 | | | | | EQUITIES | | |
| EUR/USD | 1.0395 | 0.0023 | 0.0076 | 0.0137 | 0.0257 | | Index | |
| USD/JPY | 139.53 | -0.52 | -1.76 | -3.53 | -7.33 | NZX50 | 11,288 | |
| GBP/USD | 1.2059 | 0.0010 | 0.0031 | 0.0051 | 0.0087 | ASX200 | 7,232 | |
| EUR/GBP | 0.8619 | 0.0013 | 0.0038 | 0.0072 | 0.0147 | Dow Jones | 34,194 | |
| | | | | | | S&P 500 | 4,027 | |
| | | | | | | FTSE100 | 7,465 | |
| | | | | | | DAX 30 | 14,428 | |
| | | | | | | Nikkei | 28,116 | |
| INTEREST RATES | | New Zealand | Australia | | | COMMODITIES | | |
| | | Mid | Mid | | | | USD | |
| 30 day bank bills | | 4.33% | 2.96% | | | Brent Crude | 84.76 | |
| 90 day bank bills | | 4.42% | 3.12% | | | Gold | 1,748.54 | |
| 1 year swap | | 5.32% | 3.66% | | | Silver | 21.50 | |
| 2 year swap | | 5.25% | 3.75% | | | Iron Ore | 91.45 | |
| 3 year swap | | 5.00% | 3.75% | | | CRB Index | 299.06 | |
| 5 year swap | | 4.66% | 3.81% | | | | NZD | |
| 10 year swap | | 4.44% | 4.06% | | | NZ Carbon | 87.85 | |
| 3 year Govt bond | | 4.60% | 3.30% | | | | | |
| 5 year Govt bond | | 4.40% | 3.42% | | | | | |
| 10 year Govt bond | | 4.28% | 3.69% | | | | | |

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