

Market Alert

Friday 25 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6265	0.0008
NZD/AUD	0.9255	-0.0055
NZD/JPY	86.76	-2.11
NZD/EUR	0.6022	-0.0074
NZD/GBP	0.5170	-0.0019
NZD/CNH	4.4898	-0.0601
AUD/USD	0.6761	0.0048
AUD/EUR	0.6497	-0.0042
EUR/USD	1.0402	0.0141
USD/CNH	7.1658	-0.1045
GBP/USD	1.2109	0.0053
EUR/GBP	0.8586	0.0074

INT RATES	NZ	Australia
OCR/Cash	4.25%	2.85%
90 day bills	4.42%	3.15%
2 year swap	5.23%	3.80%
10 year Govt	4.20%	3.63%

With the US closed for their Thanksgiving holiday ...

...there wasn't a lot of activity in financial markets. Equity and commodity markets were broadly flat, with a slight bias to the upside, the US 10-year treasury closed at 3.69%, while the USD-index is starting to consolidate below the 106.00 level. This saw the NZD/USD and AUD/USD post modest gains, while swap pricing in both countries eased lower.

The minutes from the Federal Reserve's November meeting highlighted that the majority of participants judged a slowing in the pace of the interest rate hikes would likely be appropriate, which would allow the FOMC time to

assess the recent rate hikes given the uncertain lags around implementing tighter monetary policy. Participants agreed that there were a few signs of inflationary pressures abating, although the risks remained tilted to the upside. All participants agreed that a 75bps increase was appropriate, conceding that the terminal rate was higher than previously anticipated. Participants also observed that the labour market remained tight, although there were tentative signs that supply and demand issues were starting to abate.

The ECB minutes showed a similar theme to the Fed minutes, with policymakers in agreement that the central bank should continue normalising and tightening monetary policy to combat high inflation, even in the event of a shallow recession. But while there were concerns that inflation could become entrenched and a wage-price spiral could emerge, the central bank also acknowledged that it may pause the rate hiking cycle to avert the risk of a deeper, more prolonged recession. But on a positive note, German Ifo business sentiment index increased to 86.3 in November, recovering further from September's 2-year low at 84.3, predominately driven by an increase in export sentiment although the current conditions sub-index worsened.

Seriously, it's not my fault ...

So, with Adrian Orr rapidly becoming the 'outlier' amongst central bank governors,

he once again seemed to divert attention away from individual responsibility blaming the local labour market and the global economy for our predicament stating, "Never before has labour been scarcer. The global economy has been impacted by significant shocks (although the) financial system is resilient to rising unemployment. The biggest surprise since August is the persistence of global inflation, domestic price pressures. We are officially contractionary on (monetary) policy. We must reduce both actual and expected inflation. The quicker inflation expectations come down, the less work RBNZ has to do."

RBNZ chief economist Paul Conway then added what we already knew, that the construction sector is staring into the abyss, stating, "A significant slowdown in home construction is on the way. It will get tougher for the building sector (although) a decline in construction is critical to the inflation outlook."

Moody's announced, "We have changed the outlook for Chinese banks to negative, reflecting their weaker operating environment and asset risks over the coming year amid slower GDP growth, the property market correction, and pandemic disruptions." And right on cue, China's daily Covid cases reach a record high at 29,754!

The Bank of Korea has hiked its base rate by 25bp to 3.25%, as expected, while the Riksbank raised its repo rate by 75bps to 2.50%, its highest level since December 2008. And always the outlier, the Turkish central bank cut its interest rate by 150bps to 9.0%!



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Daily Rates

Friday 25 November 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.90					CAD	0.8358	0.9021
NZD/USD	0.6265	0.0001	0.0008	0.0008	0.0012	CHF	0.5909	0.6379
NZD/AUD	0.9255	-0.0007	-0.0022	-0.0055	-0.0117	CNY	4.4860	4.8399
NZD/JPY	86.76	-0.29	-0.96	-2.11	-4.48	DKK	4.4777	4.8322
NZD/EUR	0.6022	-0.0012	-0.0036	-0.0074	-0.0153	FJD	1.3685	1.4768
NZD/GBP	0.5170	-0.0003	-0.0009	-0.0019	-0.0039	HKD	4.8913	5.2786
						KRW	830.00	895.71
AU TWI	62.70					MYR	2.8130	3.0357
AUD/USD	0.6813	0.0006	0.0024	0.0048	0.0082	NOK	6.2108	6.7025
AUD/NZD	0.6535	0.0007	0.0023	0.0061	0.0127	SEK	6.5169	7.0329
AUD/JPY	93.63	-0.25	-0.83	-1.74	-3.76	SGD	0.8618	0.9300
AUD/EUR	0.6497	-0.0008	-0.0024	-0.0042	-0.0084	TWD	19.30	20.82
AUD/GBP	0.5580	0.0001	0.0003	0.0012	0.0027	ZAR	10.66	11.51
USD Index	105.89					EQUITIES		
EUR/USD	1.0402	0.0022	0.0076	0.0141	0.0260		Index	
USD/JPY	138.46	-0.49	-1.71	-3.52	-7.23	NZX50	11,322	
GBP/USD	1.2109	0.0008	0.0030	0.0053	0.0081	ASX200	7,242	
EUR/GBP	0.8586	0.0011	0.0037	0.0074	0.0151	Dow Jones	34,194	
						S&P 500	4,027	
						FTSE100	7,467	
						DAX 30	14,540	
						Nikkei	28,383	
INTEREST RATES		New Zealand	Australia			COMMODITIES		
		Mid	Mid				USD	
30 day bank bills		4.35%	2.98%			Brent Crude	85.12	
90 day bank bills		4.42%	3.15%			Gold	1,754.19	
1 year swap		5.32%	3.66%			Silver	21.47	
2 year swap		5.23%	3.80%			Iron Ore	91.94	
3 year swap		4.97%	3.75%			CRB Index	299.06	
5 year swap		4.61%	3.71%				NZD	
10 year swap		4.40%	3.95%			NZ Carbon	86.50	
3 year Govt bond		4.59%	3.27%					
5 year Govt bond		4.37%	3.37%					
10 year Govt bond		4.20%	3.63%					

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