

Market Alert

Monday 7 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5873	0.0014
NZD/AUD	0.9165	-0.0044
NZD/JPY	86.86	-1.97
NZD/EUR	0.5949	-0.0069
NZD/GBP	0.5193	-0.0017
NZD/CNH	4.2572	0.0000
AUD/USD	0.6406	0.0046
AUD/EUR	0.6429	-0.0045
EUR/USD	0.9960	0.0137
USD/CNH	7.1752	0.0000
GBP/USD	1.1303	0.0059
EUR/GBP	0.8756	0.0071

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.20%	3.11%
2 year swap	5.15%	3.99%
10 year Govt	4.61%	3.95%

What a great weekend

For New Zealand sport! A huge shout out to the Black Ferns for making the final, and good luck to the Black Caps and the Kiwi's with one game to go to make their respective finals ... and the weather was pretty good as well with the first case of summer burn recorded!

But back to the more mundane stuff! The US economy added 261,000 jobs in October, but while it was above forecasts, it was its lowest level since December 2020 and significantly less than September's upwardly revised 315,000. This saw the jobless rate tick up to 3.7% from September's 29-month low of 3.5%. Average hours worked was flat at 34.5 while the participation rate eased

back to 62.2% from 62.3%. This saw the 2-year treasury yield jump 11bps to close at 4.71% while the expected peak in the Feds Funds rate reached 5.25% before easing back to 5.10%. Chicago Fed President Charles Evans also added "It's likely the Fed funds peak will be revised 'slightly higher' in December."

But just in case anyone wasn't aware, cash remains king with money market funds attracting USD194 billion in Q3. And the trend doesn't appear to be turning either as, in the week to 2-November, cash funds saw inflows of USD62.1 billion, while stocks gained USD6.3 billion and bond markets saw USD3.9 billion.

In the Euro-zone, PMIs printed slightly ahead of forecasts, although they remained in deeply contractionary territory. The regional composite gauge was adjusted to 47.3 in October from initial estimates of 47.1. In amongst the details, German factory orders fell -4.0%, steeper than estimated. We also had Christine Lagarde warn that European interest rates may need to get into restrictive territory to drag inflation back to the 2.0% target, while Luis de Guindos warned inflation will probably remain above-target for an extended period, raising the risk of a wage-price spiral.

Global food prices held at a 9-month low as supply disruptions were partly offset by slowing demand for staples. The UN monthly food-cost index was 0.1% lower in October. Good weather is also bolstering supplies of crops like barley

and soaring inflation is limiting buyers from core staples from cheese to pork.

At the peripheral, Canada has imposed a 2.0% corporate tax on share buybacks, while President Xi announced, "We will continue to open up and pursue win-win cooperation."

Equity markets had a positive close to the week as did commodity markets with crude oil rallying 5.0% to be at USD92.61 Bond yields were also higher, with the US 10-year bond 3bps higher yielding 4.16%, while President Xi comments saw the USD-index weaken which saw the NZD/USD close above the 0.5900 level although it has opened lower this morning, as has the AUD/USD.

The week ahead

In the US, the focus turns to the political arena on Tuesday with the US mid-terms, while Friday brings the monthly CPI release ahead of the University of Michigan results. In Europe, investors will monitor the UK Q3 GDP growth rate and retail sales for the Euro-zone, while China is set to publish foreign trade, PPI and CPI figures. Mid-week we have the usual confidence releases from Australia, while New Zealand will see releases of its truckometer index, card spending and food prices.

Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.90					CAD	0.7953	0.8721
NZD/USD	0.5873	0.0002	0.0009	0.0014	0.0015	CHF	0.5837	0.6368
NZD/AUD	0.9165	-0.0005	-0.0021	-0.0044	-0.0093	CNY	4.2244	4.6175
NZD/JPY	86.86	-0.26	-0.94	-1.97	-4.38	DKK	4.3880	4.7862
NZD/EUR	0.5949	-0.0010	-0.0036	-0.0069	-0.0143	FJD	1.3257	1.4460
NZD/GBP	0.5193	-0.0002	-0.0009	-0.0017	-0.0040	HKD	4.6101	5.0285
						KRW	824.15	898.95
AU TWI	60.70					MYR	2.7873	3.0403
AUD/USD	0.6813	0.0006	0.0024	0.0046	0.0075	NOK	6.0163	6.5623
AUD/NZD	0.6535	0.0005	0.0023	0.0046	0.0090	SEK	6.4326	7.0164
AUD/JPY	94.84	-0.23	-0.82	-1.71	-3.89	SGD	0.8242	0.8990
AUD/EUR	0.6429	-0.0008	-0.0025	-0.0045	-0.0093	TWD	18.80	20.51
AUD/GBP	0.5664	0.0000	0.0002	0.0008	0.0013	ZAR	10.51	11.46
USD Index	110.79					EQUITIES		
EUR/USD	0.9960	0.0021	0.0075	0.0137	0.0258		Index	
USD/JPY	146.59	-0.50	-1.81	-3.69	-7.80	NZX50	11,231	
GBP/USD	1.1303	0.0008	0.0034	0.0059	0.0101	ASX200	6,893	
EUR/GBP	0.8756	0.0011	0.0037	0.0071	0.0135	Dow Jones	32,403	
						S&P 500	3,771	
						FTSE100	7,335	
						DAX 30	13,460	
						Nikkei	27,200	
INTEREST RATES		New Zealand		Australia				
		Mid		Mid				
30 day bank bills		3.92%		2.89%				
90 day bank bills		4.20%		3.11%				
1 year swap		5.07%		3.75%				
2 year swap		5.15%		3.99%				
3 year swap		5.03%		4.02%				
5 year swap		4.81%		4.11%				
10 year swap		4.73%		4.42%				
3 year Govt bond		4.67%		3.39%				
5 year Govt bond		4.60%		3.57%				
10 year Govt bond		4.61%		3.95%				
						COMMODITIES		
							USD	
						Brent Crude	98.57	
						Gold	1,680.27	
						Silver	20.84	
						Iron Ore	85.16	
						CRB Index	309.91	
							NZD	
						NZ Carbon	85.00	

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