

Market Alert

Tuesday 8 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5933	0.0015
NZD/AUD	0.9159	-0.0044
NZD/JPY	86.90	-2.00
NZD/EUR	0.5917	-0.0069
NZD/GBP	0.5143	-0.0017
NZD/CNH	4.2908	-0.0491
AUD/USD	0.6479	0.0047
AUD/EUR	0.6459	-0.0046
EUR/USD	1.0027	0.0140
USD/CNH	7.2302	-0.1005
GBP/USD	1.1532	0.0062
EUR/GBP	0.8693	0.0072

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.20%	3.11%
2 year swap	5.19%	3.98%
10 year Govt	4.62%	4.00%

Ahead of tonight's mid-terms ...

... there was very little in the way of data releases, so let's start with a few projections ...

One and done is the latest call from an Australian bank suggesting the RBA should end their hiking cycle, announcing, "We expect one further 25bp rate hike in December which would take the cash rate to 3.10% (our expectation for the peak in the cash rate). The risk sits with a higher terminal rate, but we continue to look for rate cuts in H2 2023 and favour 50bp of in Q4 23." Against this, another of the local Australian banks announced that they expect a 25bps hike in December, February, March, and May, which aligns with Goldman Sachs' view, taking the cash rate to 4.1%.

And in a similar move, Morgan Stanley has forecast the Fed will cut the Fed Funds rate in December 2023 and end quantitative tightening (QT) in 2024, although, and with most economists there usually is an 'although', QT could end early should a recession occur.

In terms of the data ... US October Conference Board employment trends eased to 119.57 from 120.17, the S&P Eurozone construction PMIs declined to 44.9 in October for its sixth consecutive monthly contraction, and German industrial production rose 0.6% in September, rebounding from August's revised -1.2% fall and beating market forecasts calling for a 0.2% increase.

And for all those that thought China may start to ease their COVID restrictions after the party conference ... think again after a district in Guangzhou just announced an extension to their lockdowns. Apple confirmed the COVID restrictions are hurting iPhone production to the tune of 3 million units per day. Finally, the Chinese trade balance for October reached USD85.15bn, which was higher than September's USD84.74bn but below expectations at USD95.97bn. Exports grew 7.0% while imports increased 6.8%

UK house prices fell 0.4% last month, the most in almost 2 years according to Halifax, but should prices drop the 7.9% as predicted by Lloyds, almost 20% of young homeowners will be left living in a house worth less than their mortgage!

According to ex-New York Fed Chief Bill Dudley, the Fed "hasn't accomplished anything" in loosening the labour market as there's "a lot of work to do, and unfortunately it's gonna put a lot of pain on the rest of the world." ECB Council member Francois Villeroy de Galhau then added, "As long as underlying inflation has not clearly peaked, we shouldn't stop on rates" while IMF Managing Director Kristalina Georgieva added, "It is very possible that we are peaking," in reference to global inflation.

In line with most of the other tech companies, the WSJ reports that Facebook, or Meta if you're very young, will cut thousands of jobs this week.

With little in the way of 'hard' data releases ...

... equity markets opened the week in positive territory on the simplistic analysis that a 'divided congress is good for stocks.' Conversely, commodities were broadly weaker, although US natural gas prices jumped 10% on a combination of higher domestic demand and falling output, while bond yields firmed, with the 10-year treasury 4bps higher at 4.20%. Finally, the USD-index came under renewed selling pressure, which saw the AUD and NZD firm 1.0%.

Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.70					CAD	0.8004	0.8737
NZD/USD	0.5933	0.0002	0.0009	0.0015	0.0013	CHF	0.5861	0.6401
NZD/AUD	0.9159	-0.0005	-0.0020	-0.0044	-0.0090	CNY	4.2747	4.6678
NZD/JPY	86.90	-0.26	-0.96	-2.00	-4.39	DKK	4.4007	4.8057
NZD/EUR	0.5917	-0.0010	-0.0036	-0.0069	-0.0139	FJD	1.3318	1.4543
NZD/GBP	0.5143	-0.0002	-0.0009	-0.0017	-0.0036	HKD	4.6573	5.0859
						KRW	826.16	902.19
AU TWI	61.20					MYR	2.8111	3.0698
AUD/USD	0.6813	0.0006	0.0024	0.0047	0.0076	NOK	6.0610	6.6188
AUD/NZD	0.6535	0.0005	0.0021	0.0049	0.0097	SEK	6.4213	7.0122
AUD/JPY	94.86	-0.23	-0.85	-1.74	-3.90	SGD	0.8312	0.9076
AUD/EUR	0.6459	-0.0008	-0.0026	-0.0046	-0.0091	TWD	18.97	20.71
AUD/GBP	0.5616	0.0000	0.0002	0.0008	0.0015	ZAR	10.51	11.47
USD Index	110.12					EQUITIES		
EUR/USD	1.0027	0.0021	0.0075	0.0140	0.0260		Index	
USD/JPY	146.47	-0.49	-1.85	-3.72	-7.81	NZX50	11,290	
GBP/USD	1.1532	0.0009	0.0036	0.0062	0.0103	ASX200	6,934	
EUR/GBP	0.8693	0.0011	0.0036	0.0072	0.0143	Dow Jones	32,697	
						S&P 500	3,782	
INTEREST RATES						FTSE100	7,300	
		New Zealand		Australia		DAX 30	13,534	
		Mid		Mid		Nikkei	27,528	
30 day bank bills		3.95%		2.85%		COMMODITIES		
90 day bank bills		4.20%		3.11%			USD	
1 year swap		5.13%		3.75%		Brent Crude	98.07	
2 year swap		5.19%		3.98%		Gold	1,676.57	
3 year swap		5.08%		4.00%		Silver	20.81	
5 year swap		4.86%		4.13%		Iron Ore	85.16	
10 year swap		4.78%		4.46%		CRB Index	309.91	
3 year Govt bond		4.68%		3.40%			NZD	
5 year Govt bond		4.61%		3.60%		NZ Carbon	86.50	
10 year Govt bond		4.62%		4.00%				

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