

Market Alert

Wednesday 28 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6168	-0.0005
NZD/AUD	0.9221	-0.0051
NZD/JPY	88.85	-2.63
NZD/EUR	0.5627	-0.0055
NZD/GBP	0.4834	-0.0001
NZD/CNH	4.4564	-0.0722
AUD/USD	0.6689	0.0031
AUD/EUR	0.6100	-0.0026
EUR/USD	1.0961	0.0097
USD/CNH	7.2241	-0.1110
GBP/USD	1.2755	-0.0015
EUR/GBP	0.8592	0.0082

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.72%	4.35%
2 year swap	5.39%	4.39%
10 year Govt	4.59%	4.00%

The central bank 'chat-fest'

At the ECB's summer conference, President, Christine Lagarde, confirmed the central bank, "needs to bring rates into 'sufficiently restrictive' territory to lock in our policy tightening. It's unlikely that in the near future the central bank will be able to state with full confidence that the peak in rates has been reached." IMF Deputy MD, Gita Gopinath, then warned "central bankers must accept the 'uncomfortable truth' that they may have to tolerate a longer period of inflation above their 2.0% targets in order to avert a future financial crash amongst heavily indebted countries. The high levels of debt in many countries leaves them vulnerable to another financial crisis. When governments lack fiscal space or political support to respond to the problem, central bankers may need to adjust

their monetary policy reaction function to account for financial stress. Central bankers should continue tightening and interest rates should stay at a high level for a while, even if that means risking weaker growth or a cooling in labour markets." Finally, ECB policy member, Pierre Wunsch, added, "a rate pause would need a clear signal of slowing core inflation. Stagflation is the base case. More action is needed if core inflation does not moderate."

NZ Finance Minister, Grant Robertson, renewed the RBNZ remit and charter, with some minor changes that the bank will now be required to 'achieve and maintain,' rather than 'keep,' future annual inflation between 1.0% to 3.0% over the medium term. The MPC should also communicate key considerations of its decisions with regard to financial risks – that would be a first!

Australian weekly consumer confidence bounced from 72.4 to 74.9, although it remains "below 80 for the 17th straight week, the longest it has been this low since the 90-91 recession." Meanwhile, US durable goods jumped 1.7% in May, following April's upwardly revised 1.2%, although the data was boosted by a surge in jet and car orders. Finally, Canadian inflation fell from 4.4% to 3.4% in the year to May.

In yet another shot across the bow for the JPY, Japanese finance minister, Suzuki San, announced, "(currencies) should move stably reflecting fundamentals. Recent FX moves are sharp, one-sided. We will respond appropriately if FX moves become excessive,

one-sided." This is not a coincidence but the PBoC and the BoJ are the only two major central banks that are currently in easing mode, which has seen the CNY weaken -1.5% and the JPY plummet -3.0% against the USD this month! As Chinese State Banks intervene in USD/CNH to support the Yuan, the question becomes, when will the BoJ intervene? Rumours suggest it will be around the 145.00 level while talk of an adjustment to the BoJ's yield curve control continues to build.

Although it made little difference to markets!

Overnight, equity markets bounced back strongly, up 0.5% to 1.5%, led by gains in tech stocks. Conversely, commodities were lower as oil prices fell -2.5% as the interest rate outlook weighed on sentiment. Bond yield booked modest gains, with US 2 and 10-year yields 3bp and 5bp higher at 4.77% and 3.77%, while currencies flatlined.

Morgan Stanley added to the bearish call on US equities announcing, "risks for a major correction have rarely been higher. In our view, the headwinds significantly outweigh the tailwinds."

A Reuters poll amongst analysts predicts the BoE will raise rates 25bp at both the August and September meetings.



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Daily Rates

Wednesday 28 June 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.60					CAD	0.8129	0.8816
NZD/USD	0.6168	-0.0001	-0.0003	-0.0005	-0.0014	CHF	0.5508	0.5974
NZD/AUD	0.9221	-0.0010	-0.0027	-0.0051	-0.0091	CNY	4.4542	4.8305
NZD/JPY	88.85	-0.45	-1.30	-2.63	-5.24	DKK	4.1889	4.5427
NZD/EUR	0.5627	-0.0010	-0.0028	-0.0055	-0.0110	FJD	1.3517	1.4659
NZD/GBP	0.4834	-0.0002	-0.0004	-0.0001	0.0011	HKD	4.8321	5.2403
						KRW	800.29	867.88
AU TWI	62.10					MYR	2.8755	3.1184
AUD/USD	0.6689	0.0006	0.0016	0.0031	0.0045	NOK	6.6453	7.2065
AUD/NZD	1.0842	0.0011	0.0031	0.0057	0.0094	SEK	6.6085	7.1665
AUD/JPY	96.34	-0.38	-1.14	-2.33	-4.80	SGD	0.8320	0.9023
AUD/EUR	0.6100	-0.0004	-0.0013	-0.0026	-0.0061	TWD	19.12	20.74
AUD/GBP	0.5243	0.0003	0.0011	0.0028	0.0062	ZAR	11.41	12.38
USD Index	102.48					EQUITIES		
EUR/USD	1.0961	0.0017	0.0050	0.0097	0.0188		Index	
USD/JPY	144.02	-0.70	-2.05	-4.12	-8.13	NZX50	11,649	
GBP/USD	1.2755	0.0002	0.0001	-0.0015	-0.0062	ASX200	7,118	
EUR/GBP	0.8592	0.0011	0.0036	0.0082	0.0186	Dow Jones	33,933	
						S&P 500	4,381	
INTEREST RATES			New Zealand		Australia	FTSE100	7,461	
			Mid		Mid	DAX 30	15,847	
30 day bank bills			5.64%		4.16%	Nikkei	32,538	
90 day bank bills			5.72%		4.35%	COMMODITIES		
1 year swap			5.77%		4.53%		USD	
2 year swap			5.39%		4.39%	Brent Crude	72.19	
3 year swap			5.02%		4.20%	Gold	1,915.21	
5 year swap			4.63%		4.05%	Silver	22.89	
10 year swap			4.44%		4.20%	Iron Ore	112.46	
3 year Govt bond			4.82%		3.96%	CRB Index	288.70	
5 year Govt bond			4.59%		3.89%		NZD	
10 year Govt bond			4.59%		4.00%	NZ Carbon	42.50	

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