

Market Alert

Tuesday 6 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6071	-0.0007
NZD/AUD	0.9166	-0.0066
NZD/JPY	84.71	-2.50
NZD/EUR	0.5665	-0.0061
NZD/GBP	0.4883	-0.0015
NZD/CNH	4.3158	-0.0737
AUD/USD	0.6617	0.0038
AUD/EUR	0.6175	-0.0024
EUR/USD	1.0712	0.0104
USD/CNH	7.1183	-0.1130
GBP/USD	1.2431	0.0020
EUR/GBP	0.8618	0.0067

INT RATES	NZ	Australia
OCR/Cash	5.50%	3.85%
90 day bills	5.71%	4.12%
2 year swap	5.20%	4.04%
10 year Govt	4.38%	3.87%

You take a day off ...

... and everything turns to custard what with Saudi Arabia pledging to cut oil production by 1 million barrels a day from July! Friday's non-farm payrolls data saw the US economy add 339k jobs in May, which was well above the 195k forecast. While upward revisions from the last 2-months saw 93k workers join the workforce, the unemployment rate jumped from 3.4% to 3.7% as household employment fell by -310k while the number of Americans classifying themselves as unemployed rose by 440k. Rounding out the US data, average hourly wage growth moderating to 0.3% from last month's revised 0.5%, ISM services PMIs fell to 50.3 from April's 51.9 in April, while new orders for manufactured goods increased by 0.4%.

Potentially more concerning for funding costs are rumours US banks could face capital hikes of as much as 20.0% under new rules being prepared by US regulators with capital reserve requirements expected to be applied to lenders with at least USD100bn in assets versus the current USD250bn threshold.

In the Euro-zone, central bankers remain determined to ensure punters are under no illusions the ECB will be pausing anytime soon after President Christine Lagarde announced, "*There is no clear evidence that underlying inflation has peaked. Pricing pressures remain strong. The full effects of our monetary policy measures are starting to materialise,*" while Bundesbank chief Joachim Nagel added, "*I am not certain that (interest) rates will peak this summer. Several more rate hikes are still necessary. The peak rate must be maintained until there is no doubt that inflation will return to 2.0% in the near future.*"

Looking at the Eurozone's data releases, the German trade surplus widened to EUR18.4bn in April, compared to March's downwardly revised EUR14.9bn and market expectations of EUR16.0bn while the Sentix investor confidence gauge fell to -17 this month from -13.1 in May. Finally, Euro-area mortgage costs rose 7bps to 3.44% in April while corporates' borrowing costs rose 16bps to 4.38% to reach their highest level since December 2008.

In terms of market activity, steady as she blows appears to be the theme of the day with equity markets -0.25% to -1.25% lower, although it should be noted the Nikkei had a good day rallying 2.2% yesterday. Commodity prices generally flatlined, as did oil prices which was a little surprising given the Saudi announcement. Bond markets also started the week quietly with the 2 and 10-year US yields flat at 4.48% and 3.69%, while the NZD and AUD posted modest gains.

The doom and the gloom.

Morgan Stanley is forecasting the S&P will decline 9.0% from Friday's close this year driven by a 16.0% fall in corporate earnings. Against this, JPMorgan is a touch more positive forecasting the liquidity drain will compound the effect of QT on stocks and bonds, knocking almost 5.0% off their combined performance this year while CitiBank sees a drop of 5.4% in the S&P over the next 2-months and a 37bps 'adjustment' for high-yield credit spreads.

Strap yourselves in ... this afternoon we have the RBA with their latest interest rate decision, and tonight brings the latest GDT auction with rumours of more doom and gloom for the price of WMP!



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.20					CAD	0.8159	0.8891
NZD/USD	0.6071	-0.0001	-0.0003	-0.0007	-0.0025	CHF	0.5498	0.5993
NZD/AUD	0.9166	-0.0012	-0.0034	-0.0066	-0.0121	CNY	4.3107	4.6984
NZD/JPY	84.71	-0.40	-1.24	-2.50	-4.99	DKK	4.2204	4.5999
NZD/EUR	0.5665	-0.0011	-0.0031	-0.0061	-0.0123	FJD	1.3393	1.4597
NZD/GBP	0.4883	-0.0004	-0.0010	-0.0015	-0.0021	HKD	4.7583	5.1863
						KRW	790.77	861.92
AU TWI	60.80					MYR	2.7775	3.0273
AUD/USD	0.6617	0.0007	0.0021	0.0038	0.0055	NOK	6.6969	7.2991
AUD/NZD	1.0898	0.0013	0.0038	0.0074	0.0132	SEK	6.5879	7.1802
AUD/JPY	92.33	-0.33	-1.02	-2.08	-4.29	SGD	0.8193	0.8930
AUD/EUR	0.6175	-0.0004	-0.0012	-0.0024	-0.0054	TWD	18.63	20.31
AUD/GBP	0.5323	0.0002	0.0009	0.0022	0.0044	ZAR	11.70	12.75
USD Index	103.99					EQUITIES		
EUR/USD	1.0712	0.0019	0.0055	0.0104	0.0187		Index	
USD/JPY	139.55	-0.65	-2.00	-3.97	-7.71	NZX50	11,881	
GBP/USD	1.2431	0.0007	0.0017	0.0020	0.0000	ASX200	7,216	
EUR/GBP	0.8618	0.0009	0.0030	0.0067	0.0150	Dow Jones	33,618	
						S&P 500	4,275	
INTEREST RATES			New Zealand		Australia	FTSE100	7,600	
			Mid		Mid	DAX 30	15,964	
30 day bank bills			5.63%		3.94%	Nikkei	32,217	
90 day bank bills			5.71%		4.12%	COMMODITIES		
1 year swap			5.72%		4.19%		USD	
2 year swap			5.20%		4.04%	Brent Crude	76.59	
3 year swap			4.79%		3.89%	Gold	1,961.49	
5 year swap			4.42%		3.85%	Silver	23.59	
10 year swap			4.32%		4.13%	Iron Ore	106.33	
3 year Govt bond			4.53%		3.62%	CRB Index	288.59	
5 year Govt bond			4.33%		3.60%		NZD	
10 year Govt bond			4.38%		3.87%	NZ Carbon	55.75	

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