

Market Alert

Friday 7 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6156	-0.0004
NZD/AUD	0.9291	-0.0055
NZD/JPY	88.71	-2.68
NZD/EUR	0.5655	-0.0059
NZD/GBP	0.4831	0.0001
NZD/CNH	4.4665	-0.0744
AUD/USD	0.6625	0.0035
AUD/EUR	0.6085	-0.0028
EUR/USD	1.0883	0.0105
USD/CNH	7.2557	-0.1168
GBP/USD	1.2739	-0.0013
EUR/GBP	0.8542	0.0089

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.33%
2 year swap	5.58%	4.65%
10 year Govt	4.79%	4.18%

You can't always get what you want ...

There were a few big moves in markets over the last 24 hours, with the PBoC's yuan fixing one of them. China's central bank sought to support the CNY with a fixing against the USD at 7.2098 vs market estimates a good 400 points higher at 7.2510.

Chinese state news announced the central bank has ample tools to stabilize FX markets even if the yuan enters a 'panic' slide. However, markets were not as convinced, with the offshore USD/CNH cross pushing higher through 7.2600, and within touching distance of the YTD high at 7.2855 seen last week before the PBoC intervened.

Diverging monetary policy between the Fed and the PBoC is driving the yuan's 'panic' moves.

Shots were fired in the Strait of Hormuz as Iran attempted to seize two oil tankers before the US Navy stepped in. Oil rallied nearly 3.0% on the news, but it seems another geo-political storm in a teacup.

But, if you try sometimes ...

According to Fitch, "Global growth is showing near-term resilience but with core inflation remaining stubbornly high, central banks will have to continue tightening policy in the coming months. We have raised our US growth forecast for 2023 to 1.2% although we still expect the Fed tightening to push the economy into a mild recession in 4Q23-1Q24." Fitch also announced its growth forecast for 2024 "has been cut to 0.5%. Eurozone growth forecasts for 2023 and 2024 are unchanged at 0.8% and 1.4%. We now expect the Fed and the ECB to raise rates two more times in the coming months to peaks of 5.75% and 4.5%, and the BoE to raise rates to 5.25%. No subsequent cuts are expected until 2024."

Australia posted another mammoth 11.8 billion trade surplus in May, with exports rising 4.4% month over month (vs April's -5.0%) while imports rose a modest 2.5% (vs April's 2.0%). Exports were led by a 16.0% rise in gold, with coal and LNG exports also rising.

The other big move was in US rates, with the 2-year Treasury trading as high as 5.12% for the first time since 2007 and the 10-year above 4.00% for the first time since March. The private ADP - nonfarm payroll survey, a notoriously poor predictor of the official nonfarm payrolls, due tomorrow morning, showed a huge 497,000 jobs added in June. US Unemployment Claims rose slightly, up to 248,000 vs 236,000 last week. The market clearly took the results as a sign the Fed is going to hike again and keep rates higher for longer.

Markets loved the US data, well the USD and US rates did anyway. Commodity currencies were pummelled, with the AUD/USD down as low as 0.6600 and the NZD/USD sold off to 0.6130 after getting a look above 0.6200, before settling back above 0.6150.

Well, you might find, you get what you need!

JP Morgan believes there's a risk that the BoE will push interest rates to 7.00%! The BoE finds itself in a rather unenviable place of having stubborn inflation and growth near zero. The market is now pricing in a 6.30% cash rate peak by early next year, which makes the sub-1.00% cash rate it held on to for 13 years a distant memory. The UK economy is currently smaller than it was in January 2020.



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Daily Rates

Friday 7 July 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.00					CAD	0.8227	0.8856
NZD/USD	0.6156	-0.0001	-0.0002	-0.0004	-0.0002	CHF	0.5513	0.5934
NZD/AUD	0.9291	-0.0011	-0.0031	-0.0055	-0.0093	CNY	4.4616	4.8015
NZD/JPY	88.71	-0.43	-1.30	-2.68	-5.28	DKK	4.2128	4.5338
NZD/EUR	0.5655	-0.0010	-0.0029	-0.0059	-0.0112	FJD	1.3545	1.4576
NZD/GBP	0.4831	-0.0002	-0.0002	0.0001	0.0017	HKD	4.8149	5.1817
						KRW	806.04	867.44
AU TWI	61.80					MYR	2.8687	3.0873
AUD/USD	0.6625	0.0007	0.0019	0.0035	0.0041	NOK	6.6290	7.1340
AUD/NZD	1.0760	0.0012	0.0034	0.0062	0.0086	SEK	6.7365	7.2497
AUD/JPY	95.47	-0.36	-1.09	-2.34	-4.80	SGD	0.8330	0.8965
AUD/EUR	0.6085	-0.0004	-0.0011	-0.0028	-0.0061	TWD	19.27	20.74
AUD/GBP	0.5199	0.0004	0.0014	0.0032	0.0071	ZAR	11.75	12.64
USD Index	103.16					EQUITIES		
EUR/USD	1.0883	0.0016	0.0050	0.0105	0.0185		Index	
USD/JPY	144.12	-0.68	-2.05	-4.26	-8.26	NZX50	11,959	
GBP/USD	1.2739	0.0002	0.0000	-0.0013	-0.0082	ASX200	7,163	
EUR/GBP	0.8542	0.0011	0.0038	0.0089	0.0201	Dow Jones	33,925	
						S&P 500	4,411	
INTEREST RATES			New Zealand		Australia	FTSE100	7,281	
			Mid		Mid	DAX 30	15,529	
30 day bank bills			5.65%		4.13%	Nikkei	32,773	
90 day bank bills			5.71%		4.33%	COMMODITIES		
1 year swap			5.85%		4.63%		USD	
2 year swap			5.58%		4.66%	Brent Crude	76.56	
3 year swap			5.23%		4.54%	Gold	1,910.82	
5 year swap			4.84%		4.58%	Silver	22.71	
10 year swap			4.65%		4.64%	Iron Ore	111.84	
3 year Govt bond			5.08%		4.18%	CRB Index	291.53	
5 year Govt bond			4.82%		4.10%		NZD	
10 year Govt bond			4.79%		4.18%	NZ Carbon	38.00	

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