

Market Alert

Friday 11 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6032	0.0000
NZD/AUD	0.9242	-0.0058
NZD/JPY	87.32	-2.60
NZD/EUR	0.5493	-0.0052
NZD/GBP	0.4756	-0.0003
NZD/CNH	4.3690	-0.0705
AUD/USD	0.6526	0.0041
AUD/EUR	0.5941	-0.0019
EUR/USD	1.0980	0.0103
USD/CNH	7.2419	-0.1206
GBP/USD	1.2682	0.0004
EUR/GBP	0.8658	0.0076

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.67%	4.22%
2 year swap	5.50%	4.18%
10 year Govt	4.86%	4.11%

Its good, but not good enough at the end of the day!

US headline inflation data advanced at its lowest monthly rate in more than two years, rising 0.2% on the month and 3.2% on the year. This was against forecasts at 0.2% and 3.3%. As usual, the core was 'stickier' printing at 0.2% and 4.7%, which was bang in line with expectations, while food inflation fell to a near two year low at 4.9%, down from last month's 5.7%. In another 'signal' that the rating cycle is finally starting to impact, initial claims exceed forecasts with 248k filing for unemployment benefits, up from last week's 227k, although the US government budget deficit surged to USD221bn in July, which was a lot worse than forecast at USD109bn.

US treasuries also had a volatile session initially coming under renewed selling pressure, which pushed yields higher, as the market struggled to absorb this week's final leg of new issuance with the USD23bn auction of 30-year bonds. The fact that the issue was USD2bn larger than the last offering in May, and the fact the market expects further increases given the forecast US government deficits, saw the entire fixed income curve rally higher despite the positive inflation print, with the 2 and 10-year rallying 4 and 9bp higher to yield 4.84% and 4.10% respectively.

Despite the higher yields, equity markets posted modest gains on hopes the Fed will pause its tightening cycle in September. Commodity prices were broadly lower, with oil prices -1.25% to -1.75% lower, while the USD-index firmed to the 102.50 level with the NZD the worst performing currency.

Unfortunately, apart from the US releases, there wasn't a great deal left for markets to focus on. Australian consumer inflation expectations eased from 5.2% to 4.9% in August to reach their lowest level since April, while Japanese PPIs rallied from June's -0.2% print to reach 0.1% in July, although it was slightly below forecasts at 0.2%. On an annual basis, PPIs fell from 4.1% to print at 3.6%, its lowest level since April 2021. Unfortunately, the release didn't support the JPY which fell against the USD as USD/JPY climbed towards the 145.00 level.

The latest version of the trade war!

Following Joe Biden's executive order to limit US investment and expertise in semiconductors, microelectronics, quantum computing and certain AI capabilities into China, Hong Kong, and Macao, the Chinese Commerce Ministry fought back announcing, "This is blatant economic coercion and technological bullying" although they stopped short of issuing immediate counter measures.

Here's an interesting fact ... while the good news is that the women's world cup has more sponsors than ever with sponsorship revenue generated by this winter's event estimated to be at USD300m, it remains somewhat short of the USD1.7bn generated at the Qatar world cup. Ultimately though, it all ends up in the FIFA coffers in Zurich.



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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	70.60					CAD	0.8103	0.8768
NZD/USD	0.6032	0.0000	0.0000	0.0000	-0.0006	CHF	0.5286	0.5720
NZD/AUD	0.9242	-0.0010	-0.0029	-0.0058	-0.0111	CNY	4.3544	4.7103
NZD/JPY	87.32	-0.43	-1.26	-2.60	-5.10	DKK	4.0921	4.4272
NZD/EUR	0.5493	-0.0008	-0.0025	-0.0052	-0.0109	FJD	1.3342	1.4435
NZD/GBP	0.4756	-0.0001	-0.0001	-0.0003	-0.0003	HKD	4.7165	5.1028
						KRW	794.54	859.61
AU TWI	60.70					MYR	2.7566	2.9824
AUD/USD	0.6526	0.0007	0.0021	0.0041	0.0068	NOK	6.2083	6.7167
AUD/NZD	1.0815	0.0010	0.0033	0.0065	0.0130	SEK	6.4494	6.9776
AUD/JPY	94.46	-0.36	-1.07	-2.23	-4.46	SGD	0.8138	0.8804
AUD/EUR	0.5941	-0.0002	-0.0008	-0.0019	-0.0048	TWD	19.18	20.75
AUD/GBP	0.5145	0.0004	0.0015	0.0029	0.0059	ZAR	11.36	12.29
USD Index	102.56					EQUITIES		
EUR/USD	1.0980	0.0016	0.0047	0.0103	0.0199		Index	
USD/JPY	144.73	-0.71	-2.09	-4.28	-8.27	NZX50	11,812	
GBP/USD	1.2682	0.0002	0.0004	0.0004	-0.0011	ASX200	7,357	
EUR/GBP	0.8658	0.0011	0.0035	0.0076	0.0163	Dow Jones	35,253	
						S&P 500	4,482	
INTEREST RATES			New Zealand		Australia	FTSE100	35,178	
			Mid		Mid	DAX 30	15,997	
30 day bank bills			5.65%		4.10%	Nikkei	32,474	
90 day bank bills			5.67%		4.22%	COMMODITIES		
1 year swap			5.79%		4.30%		USD	
2 year swap			5.50%		4.19%	Brent Crude	86.54	
3 year swap			5.17%		4.08%	Gold	1,913.66	
5 year swap			4.82%		4.21%	Silver	22.73	
10 year swap			4.68%		4.47%	Iron Ore	104.70	
3 year Govt bond			5.10%		3.82%	CRB Index	313.22	
5 year Govt bond			4.87%		3.84%		NZD	
10 year Govt bond			4.86%		4.11%	NZ Carbon	59.95	

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