

# Market Alert

Monday 21 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5931	-0.0001
NZD/AUD	0.9241	-0.0062
NZD/JPY	86.08	-2.58
NZD/EUR	0.5450	-0.0052
NZD/GBP	0.4655	0.0001
NZD/CNH	4.3688	0.0000
AUD/USD	0.6400	0.0041
AUD/EUR	0.5882	-0.0018
EUR/USD	1.0876	0.0102
USD/CNH	7.3068	0.0000
GBP/USD	1.2735	-0.0006
EUR/GBP	0.8539	0.0081

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.67%	4.20%
2 year swap	5.60%	4.21%
10 year Govt	5.11%	4.31%

## Fluctuating global currencies

“Structural Shifts in the Global Economy” is the theme for this year’s Jackson Hole symposium for Central Bankers which starts this week (24 to 26 August), an apt title given the problems currently being caused by the strong USD. Chinese policymakers are actively intervening to prop up the CNY and the USD/JPY has risen to levels which will be making Japanese officials uncomfortable, raising the odds of verbal intervention there.

The deteriorating Chinese economic outlook saw the onshore yuan fall towards its lowest level since 2007 last week, with Chinese state banks told to sell US dollars and buy yuan in an attempt to slow the yuan’s depreciation.

The PBOC set the onshore yuan midpoint at 7.2006 against the USD on Friday, stronger than Reuters’ estimate of 7.3065. The PBOC vowed to “maintain the basic stability of the RMB exchange rate at a reasonable and balanced level, and resolutely prevent the risk of exchange rate overshoot.”

## China troubles in the spotlight

China’s central bank is also encouraging banks to boost lending to support the economy, after lending in July fell to the weakest level since 2009, a further sign of weak demand in the economy that raises the risk of prolonged deflation pressure. China is expected to cut its prime lending rates today following last week’s surprise decision to trim the rate on its medium-term lending facility. Lower interest rates may add some support to the economy, but many are hoping for these to be paired with wider stimulus measures.

China’s Evergrande Group filed for US bankruptcy protection in New York on Friday as part of their offshore debt restructuring involving nearly USD32 billion of bonds, collateral, and repurchase obligations.

The NZD/USD continues to threaten to break below support just above the 0.5900 level, while the AUD/USD managed a modest lift back above 0.6400 after dipping briefly to 0.6380.

US Treasury yields pulled back from Thursday’s 16-year high and start the week at 4.25%. Markets are struggling to absorb the large volume of US Treasury issuance, with a potential USD7 trillion of net issuance required by the end of the year.

Japan’s July YoY inflation rate came in at 3.3%, equal to last month’s but higher than expectations of 2.5%. Officials continue to see inflation slowing below 2.0% over the coming years and have worked to temper market speculation that the BOJ will consider a shift away from its ultra-easy monetary policy stance.

Eurozone CPI came out matching expectations at 5.3% for the July year, slightly lower than last month’s 5.5%. Core CPI stayed flat at 5.5%, again matching expectations.



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# Daily Rates

Monday 21 August 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.80					CAD	0.8038	0.8676
NZD/USD	0.5931	0.0000	-0.0001	-0.0001	-0.0009	CHF	0.5232	0.5633
NZD/AUD	0.9241	-0.0011	-0.0031	-0.0062	-0.0121	CNY	4.3126	4.6651
NZD/JPY	86.08	-0.43	-1.26	-2.58	-5.08	DKK	4.0644	4.3858
NZD/EUR	0.5450	-0.0009	-0.0024	-0.0052	-0.0110	FJD	1.3277	1.4327
NZD/GBP	0.4655	-0.0001	-0.0001	0.0001	0.0005	HKD	4.6457	5.0131
						KRW	794.26	857.07
AU TWI	59.90					MYR	2.7549	2.9728
AUD/USD	0.6400	0.0007	0.0021	0.0041	0.0070	NOK	6.2994	6.7976
AUD/NZD	1.0809	0.0012	0.0035	0.0069	0.0133	SEK	6.5045	7.0188
AUD/JPY	93.09	-0.36	-1.06	-2.19	-4.35	SGD	0.8047	0.8684
AUD/EUR	0.5882	-0.0002	-0.0007	-0.0018	-0.0044	TWD	18.90	20.40
AUD/GBP	0.5024	0.0004	0.0016	0.0034	0.0070	ZAR	11.26	12.15
USD Index	103.43					<b>EQUITIES</b>		
EUR/USD	1.0876	0.0016	0.0047	0.0102	0.0202		<b>Index</b>	
USD/JPY	145.37	-0.71	-2.11	-4.32	-8.38	NZX50	11,611	
GBP/USD	1.2735	0.0002	0.0001	-0.0006	-0.0033	ASX200	7,148	
EUR/GBP	0.8539	0.0010	0.0036	0.0081	0.0177	Dow Jones	34,501	
						S&P 500	4,370	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,262	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,574	
30 day bank bills			5.64%		4.11%	Nikkei	31,451	
90 day bank bills			5.67%		4.20%	<b>COMMODITIES</b>		
1 year swap			5.80%		4.29%		<b>USD</b>	
2 year swap			5.60%		4.22%	Brent Crude	84.80	
3 year swap			5.31%		4.14%	Gold	1,888.19	
5 year swap			5.02%		4.32%	Silver	22.70	
10 year swap			4.92%		4.60%	Iron Ore	106.10	
3 year Govt bond			5.26%		3.94%	CRB Index	308.57	
5 year Govt bond			5.07%		4.00%		<b>NZD</b>	
10 year Govt bond			5.11%		4.31%	NZ Carbon	65.00	

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