

Market Alert

Friday 25 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5920	0.0001
NZD/AUD	0.9227	-0.0062
NZD/JPY	86.33	-2.56
NZD/EUR	0.5478	-0.0054
NZD/GBP	0.4698	0.0000
NZD/CNH	4.3105	-0.0568
AUD/USD	0.6415	0.0043
AUD/EUR	0.5935	-0.0020
EUR/USD	1.0805	0.0104
USD/CNH	7.2827	-0.0970
GBP/USD	1.2599	-0.0002
EUR/GBP	0.8575	0.0081

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.67%	4.19%
2 year swap	5.52%	4.17%
10 year Govt	5.07%	4.19%

Gear-crunching

In yet another sign of New Zealand's slowing economy, ANZ's Truckometer showed a sharp fall in heavy traffic, down -3.0% in July (seasonally adjusted) from a month earlier, and is now -6.5% down from its peak in August 2022. The light traffic index managed to rise 0.6%, but is around -4.2% lower than its peak in September 2022.

According to ANZ, "light traffic lifted in July, and has only a mild upward trend despite strong growth in the population. This is consistent with discretionary spending being under pressure as tighter monetary policy bites". As for the heavy index, the fall is due to the fact that "the primary export sector is under particular pressure at the moment", as well as the weather, and reduced logging activity.

South Korea's central bank held its benchmark rate unchanged at 3.50% yesterday. The move was unsurprising, as the BoK has not hiked since the start of the year. In comments after the decision, BoK Governor, Rhee Chang-yong, lamented the recent rise in household debt and said it was too early to discuss rate cuts, but did not want to rule out the possibility of a rate cut this year. Finally, he added, uncertainty is very high regarding US monetary policy.

A load of hot air

Speaking of US monetary policy, the Central bankers chat-fest at Jackson Hole gets underway today, with Powell speaking tomorrow morning (NZ/Aus time). The theme is "Structural Shifts in the Global Economy" which the hosts, Kansas City Fed, explains: "While the immediate disruption of the pandemic is fading, there likely will be long-lasting aftereffects for how economies are structured, both domestically and globally, as trade networks shift, and global financial flows react. Similarly, the policy response to the pandemic and its aftermath could have persistent effects as economies adjust to rapid shifts in the stance of monetary policy and a substantial increase in sovereign debt". Will we see these central bankers admit their faults, or will they carry on patting themselves on the back for their actions in response to the pandemic (i.e. USD10+ trillion printed via QE)?

On that note, according to a recent study, New Zealand had a shadow short rate (SSR, essentially an effective cash rate) of -3.89% in October 2020 at the height of the RBNZ's QE, no wonder New Zealand's housing market ripped 30% higher. Since then, the SSR has climbed nearly 950 basis points in less than 3 years, with the OCR at 5.50%.

Everything is/isn't awesome

NAB CEO, Ross McEwan, believes Australia will avoid a recession because the housing market has held up more strongly than expected, despite RBA hikes.

Atlanta Fed's GDPNow model, which estimates GDP, has ticked higher in its Q3 estimate to 5.9% (annualised) from 5.8%, which is a stark contrast to the 1.75% consensus expectation among economists.

US core durable goods orders rose 0.5% in July, ahead of 0.2% expected, with June's number revised downward. However, headline durable goods orders fell -5.2% in July, affected by transport orders. Jobless claims data was at 240k vs 230k expected.

The USD returned to favour as US bond rates were bid higher, and equities lower, as the data was taken as negative. US 10-year rose to 4.23%, while US equities tumbled -1.9%. The NZD/USD and AUD/USD returned toward recent lows at 0.5920 and 0.6415 respectively.



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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	69.90					CAD	0.8039	0.8710
NZD/USD	0.5920	0.0000	0.0000	0.0001	-0.0004	CHF	0.5238	0.5677
NZD/AUD	0.9227	-0.0010	-0.0030	-0.0062	-0.0117	CNY	4.3078	4.6749
NZD/JPY	86.33	-0.42	-1.26	-2.56	-5.02	DKK	4.0834	4.4248
NZD/EUR	0.5478	-0.0008	-0.0024	-0.0054	-0.0112	FJD	1.3226	1.4332
NZD/GBP	0.4698	-0.0001	0.0000	0.0000	0.0001	HKD	4.6425	5.0306
						KRW	785.25	850.91
AU TWI	60.40					MYR	2.7487	2.9785
AUD/USD	0.6415	0.0007	0.0021	0.0043	0.0075	NOK	6.3452	6.8758
AUD/NZD	1.0834	0.0011	0.0034	0.0069	0.0127	SEK	6.5062	7.0502
AUD/JPY	93.55	-0.36	-1.06	-2.20	-4.34	SGD	0.8031	0.8703
AUD/EUR	0.5935	-0.0002	-0.0008	-0.0020	-0.0047	TWD	18.84	20.41
AUD/GBP	0.5091	0.0005	0.0016	0.0033	0.0065	ZAR	11.15	12.08
USD Index	103.98					EQUITIES		
EUR/USD	1.0805	0.0016	0.0048	0.0104	0.0212		Index	
USD/JPY	145.84	-0.71	-2.13	-4.34	-8.42	NZX50	11,502	
GBP/USD	1.2599	0.0002	0.0001	-0.0002	-0.0013	ASX200	7,182	
EUR/GBP	0.8575	0.0011	0.0036	0.0081	0.0174	Dow Jones	34,161	
						S&P 500	4,395	
INTEREST RATES			New Zealand		Australia	FTSE100	7,334	
			Mid		Mid	DAX 30	15,621	
30 day bank bills			5.64%		4.10%	Nikkei	32,287	
90 day bank bills			5.67%		4.19%	COMMODITIES		
1 year swap			5.76%		4.26%		USD	
2 year swap			5.52%		4.18%	Brent Crude	83.37	
3 year swap			5.23%		4.10%	Gold	1,916.30	
5 year swap			4.92%		4.25%	Silver	24.12	
10 year swap			4.80%		4.49%	Iron Ore	107.47	
3 year Govt bond			5.24%		3.85%	CRB Index	309.24	
5 year Govt bond			5.06%		3.90%		NZD	
10 year Govt bond			5.07%		4.19%	NZ Carbon	66.75	

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