

Market Alert

Tuesday 26 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5965	-0.0001
NZD/AUD	0.9288	-0.0060
NZD/JPY	88.66	-2.62
NZD/EUR	0.5607	-0.0050
NZD/GBP	0.4883	-0.0007
NZD/CNH	4.3507	-0.0418
AUD/USD	0.6424	0.0041
AUD/EUR	0.6063	-0.0015
EUR/USD	1.0592	0.0091
USD/CNH	7.3161	-0.0700
GBP/USD	1.2216	0.0014
EUR/GBP	0.8671	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.75%	4.19%
2 year swap	5.66%	4.31%
10 year Govt	5.23%	4.39%

Eddie, Eddie, Eddie, Eddie Jones ... what have you done?

Come back Dave Rennie ... all is forgiven!

Being the young person that I am, I watched the Young Leaders debate last night ... and I've never felt so ostracised! Seriously though, it's good to see young people getting involved with politics ... although I'm not so sure some of them could be classified as 'young'!

As far as financial markets are concerned, yesterday, and last night, was a bit of a damp squid. Once again, the USD-index made modest gains although, contrary to trend, the NZD rallied against most pairs. The USD's strength was reflected by moves in the treasury markets with the 2 and 10-year yields firming 1bps and 10bps to be at 5.14% and 4.54% respectively. And while this may be

painful, at least it's not as bad as it was 42-years ago when the 30-year treasury yield reached 15.00% ... and no ... I wasn't trading that day! Equity and commodity prices were mixed, although European gas prices surged.

The highlight of the session was the German IFO release, which highlighted what we already knew, Germany is in trouble after business sentiment deteriorated for a 5th consecutive month to reach 85.7 in September, from August's revised 85.8. The only positive was that it exceeded expectations at 85.2! To add to the gloom, Germany's housing market is also cracking after prices fell by the most in Q2 since records began, and are now down -9.9% from a year ago. The weakness in Europe's strongest economy saw EUR/USD drop below the 1.0600 level for the first time since mid-March, which supported ECB President Christine Lagarde's claim that policymakers believe the bank's policy rates have reached levels that, if maintained for an extended period, would significantly contribute to achieving the inflation target. Bank of France President and ECB member, Francois Villeroy de Galhau, also emphasised that there was no rush to raise rates further stating, "From today's perspective, patience is more important than raising rates further," before adding they are "very attentive" to oil prices, but as we approach the northern hemisphere winter, perhaps he should be concerned with natural gas prices which are approaching a 5-month high after surging 9% yesterday.

In the US, the Chicago Fed's National Activity Index plummeted to -0.16 in August from July's downwardly revised 0.07, with all 4 categories making negative contributions, while the Dallas Fed's September manufacturing index fell to -18.1 from -17.2.

Finally, Moody's warns that US government shutdown would be 'credit negative'.

The recent visit by the Jones family to the UK saw retail sales increased by 30 points in September to reach -14 following August's 2-year low of -44.

Liu Shijin, a member of the PBoC MPC, announced China has limited room for further monetary policy easing, citing widening interest rate differentials with the US, and should not count on macroeconomic policies to revive growth announcing, "If China continues to focus on macro policies in its efforts to stabilize growth, there would be more and more side effects. More importantly, we will again miss the opportunity for structural reforms." The PBoC was also active in the FX markets delivering a firmer-than-expected yuan fixing with the yuan midpoint at 7.1727 compared to Friday's 7.2980.

Good news, bad news

Yes ... the writer's strike in Hollywood has ended meaning TV and movie productions can resume. Nooooo ... no doubt this will mean another season of 'And Just Like That' ...



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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	70.50					CAD	0.8034	0.8657
NZD/USD	0.5965	0.0000	-0.0001	-0.0001	-0.0012	CHF	0.5438	0.5857
NZD/AUD	0.9288	-0.0010	-0.0030	-0.0060	-0.0119	CNY	4.3613	4.6969
NZD/JPY	88.66	-0.44	-1.29	-2.62	-5.24	DKK	4.1987	4.5218
NZD/EUR	0.5607	-0.0007	-0.0023	-0.0050	-0.0109	FJD	1.3327	1.4352
NZD/GBP	0.4883	-0.0001	-0.0003	-0.0007	-0.0022	HKD	4.6619	5.0206
						KRW	798.95	860.42
AU TWI	60.60					MYR	2.7934	3.0084
AUD/USD	0.6424	0.0007	0.0020	0.0041	0.0068	NOK	6.4384	6.9339
AUD/NZD	1.0762	0.0011	0.0032	0.0066	0.0120	SEK	6.5894	7.0964
AUD/JPY	95.60	-0.36	-1.09	-2.24	-4.48	SGD	0.8151	0.8778
AUD/EUR	0.6063	-0.0001	-0.0005	-0.0015	-0.0042	TWD	19.18	20.65
AUD/GBP	0.5258	0.0005	0.0014	0.0026	0.0043	ZAR	11.19	12.05
USD Index	105.93					EQUITIES		
EUR/USD	1.0592	0.0013	0.0041	0.0091	0.0184		Index	
USD/JPY	148.80	-0.72	-2.15	-4.38	-8.46	NZX50	11,377	
GBP/USD	1.2216	0.0002	0.0005	0.0014	0.0022	ASX200	7,077	
EUR/GBP	0.8671	0.0009	0.0029	0.0063	0.0130	Dow Jones	33,969	
						S&P 500	4,329	
INTEREST RATES			New Zealand		Australia	FTSE100	7,624	
			Mid		Mid	DAX 30	15,405	
30 day bank bills			5.66%		4.11%	Nikkei	32,679	
90 day bank bills			5.75%		4.19%	COMMODITIES		
1 year swap			5.87%		4.34%		USD	
2 year swap			5.66%		4.33%	Brent Crude	93.46	
3 year swap			5.39%		4.24%	Gold	1,916.08	
5 year swap			5.10%		4.41%	Silver	23.10	
10 year swap			4.98%		4.70%	Iron Ore	121.33	
3 year Govt bond			5.44%		4.04%	CRB Index	322.02	
5 year Govt bond			5.25%		4.10%		NZD	
10 year Govt bond			5.23%		4.39%	NZ Carbon	65.60	

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