

# Market Alert

Thursday 5 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5907	-0.0001
NZD/AUD	0.9347	-0.0062
NZD/JPY	88.09	-2.66
NZD/EUR	0.5624	-0.0050
NZD/GBP	0.4865	-0.0006
NZD/CNH	4.3241	-0.0431
AUD/USD	0.6321	0.0041
AUD/EUR	0.6018	-0.0015
EUR/USD	1.0503	0.0091
USD/CNH	7.3183	-0.0722
GBP/USD	1.2137	0.0011
EUR/GBP	0.8651	0.0064

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.76%	4.19%
2 year swap	5.77%	4.27%
10 year Govt	5.65%	4.79%

## Unsurprisingly, there were no surprises ...

...from the RBNZ ahead of the General election. And by leaving the OCR unchanged at 5.50%, all focus was on the statement, which highlighted, "The Committee agreed that the OCR needs to stay at a restrictive level to ensure that annual consumer price inflation returns to the 1 to 3% target range and to support maximum sustainable employment." Following the announcement, the NZD/USD quickly dropped half a cent, falling back below the 0.5900 level, although the overnight price action saw the pair firm back above this level as the USD eased. Domestic swap rates shed a few points following the RBNZ announcement but, overall, the response from markets could be described as 'muted' at best.

In other NZ headlines, the September Labour Force survey highlighted a 31k decrease in the workforce, while CoreLogic house prices were flat on the month and are now 'just' -7.3% lower on the year.

## In the other headlines

The US ADP private sector employment report highlighted that 89k jobs were added to the US workforce in September, although it was well below the 154k expected. On a positive note, workers benefited from annual pay gains of 5.9%. Markets will be watching tomorrow night's monthly US non-farm payrolls data for any signs the US labour market is beginning to fray. ISM service PMIs eased to 53.6, from August's 6-month high of 54.5, while factory orders printed at 1.2% in August, which was ahead of expectations at 0.2%.

August Eurozone retail sales fell -1.2% on the month against forecasts for a -0.3% fall. The declines were broad-based.

UK service PMIs fell from 49.5 in August to 49.3 in September to reach its lowest level since January. And just to add to the doom, BoE Governor Andrew Bailey ominously warned, "more shocks are coming."

After USD/JPY surged through the 150.00 level, Japanese finance minister, Shunichi Suzuki, was quick to warn he was watching the JPY's moves "cautiously," and while there hasn't been any 'official' confirmation of intervention,

there can be no doubt that a 'strong selling interest' has emerged after USD/JPY suddenly fell from 150.18 to a low of 147.28. Traders would have contributed, and exaggerated, to this move, but it has since returned to the 149.0 level. What was really interesting to note was that the USD/JPY moves were mirrored by USD/CNY which fell from 7.3015 to 7.1733 before recovering to 7.1980. To provide a comparison, NZD/JPY has this week fallen from a high of 89.89 to a low of 87.08, and is currently at 88.00.

This recent USD-related selling has weighed on the broader USD-index, which has eased -0.25%. This supported the AUD/USD and EUR/USD overnight, while NZD/USD is flat following yesterday's RBNZ announcement. It is no coincidence that US Treasury yields are lower, with strong bids emerging for 30-year bonds at 5.00% - levels not seen since 2007. The US 10-year yield eased 6bp to 4.74%, after reaching 4.85% during the session. Equity and commodity markets were 'mixed', although oil prices have fallen to a three week low, with WTI down more than \$4 overnight.

I'm not sure how this is going to work but FIFA has awarded the 2030 world cup to Spain, Portugal, and Morocco!



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# Daily Rates

Thursday 5 October 2023

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	70.40					CAD	0.8122 0.8695
NZD/USD	0.5907	0.0000	0.0001	-0.0001	-0.0015	CHF	0.5417 0.5798
NZD/AUD	0.9347	-0.0010	-0.0033	-0.0062	-0.0124	CNY	4.3504 4.6856
NZD/JPY	88.09	-0.43	-1.38	-2.66	-5.25	DKK	4.1939 4.4878
NZD/EUR	0.5624	-0.0007	-0.0025	-0.0050	-0.0111	FJD	1.3292 1.4224
NZD/GBP	0.4865	-0.0001	-0.0003	-0.0006	-0.0020	HKD	4.6244 4.9485
						KRW	799.86 855.92
AU TWI	60.00					MYR	2.7934 2.9892
AUD/USD	0.6321	0.0007	0.0022	0.0041	0.0064	NOK	6.5023 6.9580
AUD/NZD	1.0695	0.0011	0.0036	0.0067	0.0129	SEK	6.5375 6.9957
AUD/JPY	94.25	-0.36	-1.15	-2.25	-4.46	SGD	0.8104 0.8672
AUD/EUR	0.6018	-0.0001	-0.0007	-0.0015	-0.0044	TWD	19.07 20.41
AUD/GBP	0.5206	0.0005	0.0015	0.0027	0.0043	ZAR	11.43 12.23
USD Index	106.78					<b>EQUITIES</b>	
EUR/USD	1.0503	0.0013	0.0047	0.0091	0.0177		<b>Index</b>
USD/JPY	149.08	-0.74	-2.35	-4.49	-8.52	NZX50	11,235
GBP/USD	1.2137	0.0002	0.0008	0.0011	0.0012	ASX200	6,890
EUR/GBP	0.8651	0.0009	0.0033	0.0064	0.0131	Dow Jones	32,977
						S&P 500	4,237
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,412
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,100
30 day bank bills			5.67%		4.11%	Nikkei	30,527
90 day bank bills			5.76%		4.19%	<b>COMMODITIES</b>	
1 year swap			5.92%		4.30%		<b>USD</b>
2 year swap			5.77%		4.29%	Brent Crude	86.22
3 year swap			5.57%		4.26%	Gold	1,817.43
5 year swap			5.37%		4.53%	Silver	20.88
10 year swap			5.35%		4.86%	Iron Ore	118.44
3 year Govt bond			5.65%		4.21%	CRB Index	317.46
5 year Govt bond			5.55%		4.34%		<b>NZD</b>
10 year Govt bond			5.65%		4.79%	NZ Carbon	65.50

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