

Market Alert

Friday 06 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5965	-0.0001
NZD/AUD	0.9364	-0.0062
NZD/JPY	88.47	-2.63
NZD/EUR	0.5654	-0.0050
NZD/GBP	0.4892	-0.0006
NZD/CNH	4.3572	-0.0423
AUD/USD	0.6369	0.0041
AUD/EUR	0.6038	-0.0015
EUR/USD	1.0546	0.0090
USD/CNH	7.3062	-0.0693
GBP/USD	1.2190	0.0013
EUR/GBP	0.8649	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.74%	4.19%
2 year swap	5.72%	4.24%
10 year Govt	5.63%	4.67%

The question of the day is ...

... by the time you read this, how many points will the All Blacks be beating Uruguay? I'm guessing it will be 47 points!

Ahead of tonight's payrolls data from the US, the overnight data emphasised the continuing strength of the US economy after the US trade deficit fell to a 3-year low as it narrowed to USD58.3bn in August against forecasts at USD62.3bn, while initial claims edged up by 2k, to 207k, below forecasts at 210k and close to the recent 7-month low at 202k. We also had Fed member Mary Daly on the newswires, which was the first time in a while, confirming that, "We don't have to rush any decisions. We can hold rates steady if labour markets and prices keep cooling. We are a long way from 2.0% inflation and a long way from sustainable

employment. Even with recent slowing in the labour market, job growth remains well above what needed to keep pace with growth. With rising bond yields, the need to do additional tightening by Fed is not there."

Unfortunately, the data in Europe also 'played to the trend,' as the German data releases continued to disappoint after exports fell -1.2% on the month while the July number was also revised lower from -0.9% to -1.9%. While imports decreased by 0.4%, the trade balance widened to EUR16.6bn, heightening the risk that Q3 growth could revert back into negative territory. Luckily for the Germans, French central bank head and ECB member François Villeroy de Galhau provided some positivity stating, "There is no justification for extra ECB hikes at present. Past market expectations for cuts were too optimistic. Policy can, and should, aim for a soft landing of the economy. The increase in bond yields may be excessive, but it is helping to tighten financial conditions."

The news wasn't that positive out of New Zealand either, although it wasn't a particular surprise either after the government accounts for the year ending in June confirmed a deficit of NZD9.4bn, predominately driven by the lower-than-expected tax take. Unfortunately, the accountants' inability to make an accurate forecast remains in place given the final number was NZD600m lower than the mid-September PREFU update, but don't worry, Finance Minister Grant Robertson has our backs covered, announcing, "New Zealand is in a position

of strength despite the challenging global environment."

With Q3 in the rear-view mirror, Kristalina Georgieva updated us with the IMF's view on the global economy announcing, "Current pace of global growth remains quite weak, well below its pre-pandemic 3.8% average. Stronger demand for services, progress on inflation boosted chances for soft landing, but vigilance is essential. Inflation will remain above target for some countries until 2025, (although to) win the fight against inflation it requires interest rates to remain higher for longer. There are significant risks on the fiscal front in many countries as higher interest rates have increased debt burdens."

With the markets adopting a 'wait and see' ...

... approach ahead of tonight's US jobs releases, markets were quiet. European equity markets posted modest gains, although, as I type this, the US bourses are in negative territory, as were commodity markets, with oil prices falling a further -2.0%. Interest rate yields, and the USD-index, also eased back from their recent highs, with the 10-year US yield -2bp lower at 4.72% while the index was -0.4% lower with NZD/USD and AUD/USD the strongest performers gaining 0.75%.



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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	0.8182 0.8737
NZD/USD	0.5965	0.0000	0.0001	-0.0001	-0.0016	CHF	0.5444 0.5814
NZD/AUD	0.9364	-0.0010	-0.0032	-0.0062	-0.0124	CNY	4.3504 4.6856
NZD/JPY	88.47	-0.44	-1.33	-2.63	-5.22	DKK	4.2176 4.5032
NZD/EUR	0.5654	-0.0007	-0.0025	-0.0050	-0.0112	FJD	1.3362 1.4267
NZD/GBP	0.4892	-0.0001	-0.0003	-0.0006	-0.0021	HKD	4.6713 4.9876
						KRW	803.16 857.56
AU TWI	60.30					MYR	2.8185 3.0094
AUD/USD	0.6369	0.0007	0.0022	0.0041	0.0066	NOK	6.5390 6.9818
AUD/NZD	1.0675	0.0011	0.0035	0.0064	0.0127	SEK	6.5677 7.0125
AUD/JPY	94.47	-0.36	-1.11	-2.21	-4.43	SGD	0.8154 0.8706
AUD/EUR	0.6038	-0.0001	-0.0006	-0.0015	-0.0041	TWD	19.23 20.54
AUD/GBP	0.5223	0.0005	0.0014	0.0027	0.0045	ZAR	11.63 12.42
USD Index	106.38					EQUITIES	
EUR/USD	1.0546	0.0013	0.0047	0.0090	0.0177		Index
USD/JPY	148.34	-0.74	-2.25	-4.38	-8.37	NZX50	11,309
GBP/USD	1.2190	0.0002	0.0008	0.0013	0.0010	ASX200	6,926
EUR/GBP	0.8649	0.0009	0.0032	0.0064	0.0134	Dow Jones	33,130
						S&P 500	4,258
						FTSE100	7,452
						DAX 30	15,070
						Nikkei	31,075
INTEREST RATES			New Zealand		Australia		
			Mid		Mid		
30 day bank bills			5.65%		4.10%		
90 day bank bills			5.74%		4.19%		
1 year swap			5.89%		4.28%		
2 year swap			5.72%		4.26%		
3 year swap			5.53%		4.22%		
5 year swap			5.34%		4.50%		
10 year swap			5.32%		4.87%		
3 year Govt bond			5.60%		4.09%		
5 year Govt bond			5.51%		4.22%		
10 year Govt bond			5.63%		4.67%		
						COMMODITIES	
							USD
						Brent Crude	84.29
						Gold	1,819.67
						Silver	20.93
						Iron Ore	118.03
						CRB Index	310.68
							NZD
						NZ Carbon	65.85

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