

Market Alert

Tuesday 10 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6020	-0.0001
NZD/AUD	0.9393	-0.0064
NZD/JPY	89.44	-2.68
NZD/EUR	0.5698	-0.0052
NZD/GBP	0.4919	-0.0007
NZD/CNH	4.3903	-0.0426
AUD/USD	0.6407	0.0041
AUD/EUR	0.6062	-0.0016
EUR/USD	1.0565	0.0089
USD/CNH	7.2924	-0.0693
GBP/USD	1.2237	0.0014
EUR/GBP	0.8632	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.74%	4.19%
2 year swap	5.70%	4.13%
10 year Govt	5.61%	4.60%

The cycle of Middle Eastern violence has been reignited -

and financial markets should be extremely wary as to how this develops in the coming days and weeks! Interestingly, there are a lot of commentaries comparing last weekend's shocking events with the Yom Kippur war in October 1973 - which triggered oil-shocks and stagflation, but whatever happens next, it's highly unlikely it will be resolved in the short-term! The US Columbus Day celebrations created a 'muddled' reaction in financial markets with US equity markets open while US bond markets were closed. Financial markets were mixed although, needless to say, oil and gas markets all rallied strongly with oil prices up over 5.0% at one stage before settling

back to be up 4.35% on the day while European natural gas prices surged 15% to EUR43 per megawatt-hour, amid mounting supply concerns after Chevron was instructed to close the Tamar natural gas field in northern Israel.

Equity markets were predominately weaker in Europe, although it should be stated they struggled for conviction, while the US exchanges posted modest gains in the region of 0.5%. With the US bond markets closed, European long-end yields were lower, as investors sought safe haven assets, with the German 10-year bund 12bps lower at 2.77%, while the USD-index also posted modest gains firming 0.3%. But despite the stronger USD, the NZD and AUD both saw strong buying interest, rallying 0.5% against the USD, while they also made gains on their crosses. No surprise but the Israeli shekel fell to its lowest level since 2016.

One swallow doesn't make a summer ...

... but it would appear 3 positive GDT auctions does, after Fonterra raised its forecast milk payout by 50 cents, to a NZD7.25 mid-point on the back of an improved outlook! The new forecast range is NZD6.50-NZD8.00 per kilogram of milk solid.

In a further negative to the German economy, and one that added to fears of a recession, industrial production fell -0.2% in August, against forecasts for a -0.1% contraction. Meanwhile, the French central bank downgraded

its Q3 growth from 0.5% to 0.1%.

Fed Vice Chair Philip Jefferson doesn't say much ...

... so when he does talk, we should listen ... "We need to move carefully to balance the risks of tightening too much or too little. It may be too soon to say confidently we have tightened enough. Rising long-term yields in the past may have meant investors seek stronger economic momentum and need for higher for longer Fed rate path. The recent inflation data is encouraging, but inflation still too high. Core PCE prices will moderate further as labour market come into better balance. There is a path to restoring price stability without a large gain in unemployment. Mindful of lag effects of past rates as I consider whether we will need further policy tightening. It could be the case that the rise in the long-run treasury yields reflects anticipation for strong growth. The cumulative effects of past rate increases has NOT yet been felt. Cannot say if rate cuts might be needed next year yet."

Fed Dallas President, Lorie Logan, was a lot more succinct stating, "Higher term premiums result in higher term interest rates for the same setting of the fed funds rate, all else equal."



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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	71.10					CAD	0.8179	0.8705
NZD/USD	0.6020	0.0000	0.0001	-0.0001	-0.0018	CHF	0.5451	0.5802
NZD/AUD	0.9393	-0.0011	-0.0032	-0.0064	-0.0128	CNY	4.3778	4.6525
NZD/JPY	89.44	-0.47	-1.36	-2.68	-5.29	DKK	4.2478	4.5208
NZD/EUR	0.5698	-0.0008	-0.0026	-0.0052	-0.0123	FJD	1.3438	1.4301
NZD/GBP	0.4919	-0.0001	-0.0003	-0.0007	-0.0021	HKD	4.7138	5.0168
						KRW	811.16	863.30
AU TWI	60.10					MYR	2.8469	3.0299
AUD/USD	0.6407	0.0008	0.0022	0.0041	0.0068	NOK	6.4965	6.9141
AUD/NZD	1.0641	0.0012	0.0035	0.0069	0.0133	SEK	6.5999	7.0242
AUD/JPY	95.18	-0.39	-1.13	-2.23	-4.40	SGD	0.8219	0.8747
AUD/EUR	0.6062	-0.0001	-0.0007	-0.0016	-0.0051	TWD	19.36	20.60
AUD/GBP	0.5235	0.0005	0.0014	0.0027	0.0048	ZAR	11.65	12.40
USD Index	106.08					EQUITIES		
EUR/USD	1.0565	0.0014	0.0047	0.0089	0.0180		Index	
USD/JPY	148.55	-0.80	-2.28	-4.40	-8.37	NZX50	11,205	
GBP/USD	1.2237	0.0002	0.0009	0.0014	0.0010	ASX200	6,970	
EUR/GBP	0.8632	0.0010	0.0031	0.0063	0.0123	Dow Jones	33,591	
						S&P 500	4,337	
INTEREST RATES			New Zealand		Australia	FTSE100	7,492	
			Mid		Mid	DAX 30	15,128	
30 day bank bills			5.66%		4.10%	Nikkei	30,995	
90 day bank bills			5.74%		4.19%	COMMODITIES		
1 year swap			5.88%		4.24%		USD	
2 year swap			5.70%		4.15%	Brent Crude	88.08	
3 year swap			5.51%		4.12%	Gold	1,854.86	
5 year swap			5.32%		4.40%	Silver	21.83	
10 year swap			5.31%		4.75%	Iron Ore	117.74	
3 year Govt bond			5.59%		3.99%	CRB Index	312.43	
5 year Govt bond			5.51%		4.13%		NZD	
10 year Govt bond			5.61%		4.60%	NZ Carbon	65.75	

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