

Market Alert

Thursday 19 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5861	0.0002
NZD/AUD	0.9243	-0.0057
NZD/JPY	87.85	-2.61
NZD/EUR	0.5560	-0.0048
NZD/GBP	0.4823	-0.0005
NZD/CNH	4.2953	-0.0465
AUD/USD	0.6339	0.0040
AUD/EUR	0.6013	-0.0016
EUR/USD	1.0538	0.0092
USD/CNH	7.3276	-0.0815
GBP/USD	1.2149	0.0015
EUR/GBP	0.8673	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.70%	4.25%
2 year swap	5.62%	4.40%
10 year Govt	5.57%	4.75%

Geo-political tensions dominate

As has been the case over the last few weeks, geo-political tensions have been creating the headlines while a lack of buyers has contributed to, yet again, a firming of yields and higher interest costs. The overnight price action saw the US 10-year treasury yield surge a further 5bps to reach a 16-year high at 4.90%, while the UK's 10-year gilt surged 15bps to reach 4.66%. Heck, even the 10-year Japanese JGB surged above the 0.80% level! No doubt these moves will lift NZ and AU yields this morning, and while we're not likely to see new highs given the recent price action, most swaps are near-enough at decade highs. Conversely, the NZD and AUD FX pricing continues to grind lower as the USD-index consolidates above the 106.00 level.

US earnings season has kicked off this week with financial services giants Goldmans and Bank of America both posting better than expected profit and revenue numbers, while Morgan Stanley's profit shrunk. Nvidia did end up slumping into the close, falling -4.7% as news broke that the Department of Commerce plans to prevent the sale of more advanced AI chips to China. There was also some positive data from the housing sector after US housing starts jumped 7.0% on the month, to 1.36 million in September, bouncing off the August 3-year low at 1.27 million. Building permits fell -4.4%.

The Fed's beige book highlighted a 'mixed' outlook for the US economy, in fact, 'mixed' perfectly describes the whole report given that "consumer spending was mixed. The near-term outlook for the economy was generally described as stable or having slightly weaker growth. Manufacturing activity was mixed, while expectations of firms for which the holiday season as an important driver of sales were mixed. Labor market tightness continued to ease across the nation. Prices continued to increase at a modest pace overall. Firms expect prices to increase the next few quarters, but at a slower rate than the previous few quarters."

Across the Pacific, an improvement in the recent underlying economy did little to improve the outlook for the yuan after China's Q3 GDP data firmed to 4.9% against expectations at 4.4%, while retail sales, industrial production and the unemployment rate all exceeded expectations. Despite all this, USD/CNY

firmed to 7.3150.

Across the Atlantic, UK inflation remained stable at 6.7% in September, holding at August's 18-month low and defying market expectations of a slight decrease to 6.6%.

The geo-political corner

WTI crude oil futures jumped 2% to above USD88 per barrel yesterday, the highest level in two weeks, as President Joe Biden's visit to Israel ratcheted up political tensions. Volatility has been expected in oil prices following Israel's declaration of war on Hamas, and tensions further escalated yesterday following a blast at Gaza City Hospital. Another contributing factor; data showed that US crude inventories dropped by about 4.4 million barrels last week, which far exceeded forecasts of a 300,000 barrel decrease.

ECB policy makers weighed the effects of the escalating conflict in the middle east, with Robert Holzmann advising the conflict risks stoking oil costs and driving CPI, while Yannis Stournaras suggested the turmoil shifted the balance against further rate hikes.



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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	70.10					CAD	0.8030	0.8685
NZD/USD	0.5861	0.0000	0.0001	0.0002	-0.0005	CHF	0.5266	0.5696
NZD/AUD	0.9243	-0.0010	-0.0031	-0.0057	-0.0104	CNY	4.2881	4.6370
NZD/JPY	87.85	-0.43	-1.36	-2.61	-5.12	DKK	4.1490	4.4874
NZD/EUR	0.5560	-0.0007	-0.0024	-0.0048	-0.0101	FJD	1.3197	1.4274
NZD/GBP	0.4823	-0.0001	-0.0003	-0.0005	-0.0013	HKD	4.5885	4.9627
						KRW	793.53	858.24
AU TWI	60.40					MYR	2.7793	3.0060
AUD/USD	0.6339	0.0007	0.0022	0.0040	0.0065	NOK	6.4751	7.0033
AUD/NZD	1.0811	0.0011	0.0035	0.0064	0.0114	SEK	6.4587	6.9855
AUD/JPY	95.00	-0.36	-1.15	-2.27	-4.54	SGD	0.8046	0.8702
AUD/EUR	0.6013	-0.0001	-0.0007	-0.0016	-0.0044	TWD	18.98	20.53
AUD/GBP	0.5216	0.0005	0.0014	0.0026	0.0044	ZAR	11.12	12.03
USD Index	106.49					EQUITIES		
EUR/USD	1.0538	0.0013	0.0047	0.0092	0.0184		Index	
USD/JPY	149.87	-0.74	-2.32	-4.51	-8.60	NZX50	11,221	
GBP/USD	1.2149	0.0002	0.0008	0.0015	0.0015	ASX200	7,078	
EUR/GBP	0.8673	0.0009	0.0032	0.0063	0.0134	Dow Jones	33,772	
						S&P 500	4,337	
INTEREST RATES			New Zealand		Australia	FTSE100	7,588	
			Mid		Mid	DAX 30	15,095	
30 day bank bills			5.65%		4.12%	Nikkei	32,042	
90 day bank bills			5.70%		4.25%	COMMODITIES		
1 year swap			5.81%		4.41%		USD	
2 year swap			5.62%		4.41%	Brent Crude	91.69	
3 year swap			5.43%		4.41%	Gold	1,950.59	
5 year swap			5.24%		4.67%	Silver	22.86	
10 year swap			5.26%		5.01%	Iron Ore	119.31	
3 year Govt bond			5.49%		4.26%	CRB Index	319.92	
5 year Govt bond			5.45%		4.36%		NZD	
10 year Govt bond			5.57%		4.75%	NZ Carbon	69.60	

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