

Market Alert

Wednesday 25 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5841	0.0001
NZD/AUD	0.9187	-0.0054
NZD/JPY	87.56	-2.58
NZD/EUR	0.5517	-0.0047
NZD/GBP	0.4803	-0.0006
NZD/CNH	4.2708	-0.0438
AUD/USD	0.6356	0.0038
AUD/EUR	0.6002	-0.0016
EUR/USD	1.0586	0.0089
USD/CNH	7.3120	-0.0765
GBP/USD	1.2156	0.0016
EUR/GBP	0.8707	0.0060

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.69%	4.28%
2 year swap	5.56%	4.39%
10 year Govt	5.56%	4.78%

This is ugly ... very ugly!

From the global preliminary PMI corner, Australia S&P/Judo PMIs plummeted with manufacturing falling from 48.7 to 48.0 while services plunged from 51.8 to 47.6. At least the weekly consumer confidence number provided some encouragement firming from 76.4 to 78.2.

Looking at the other countries, the Japanese Jibun manufacturing PMIs flatlined at 48.5. The UK S&P composite PMI came in at 48.6 in October, little change from September's 48.5 and broadly in line with market expectations of 48.7. The HCOB Eurozone composite PMI dropped to 46.5, down from September's 47.2 and short of the consensus 47.4, while, finally, the S&P US composite PMI firmed to 51.0 in October

from the prior months 50.2, signalling the fastest expansion since July driven by a quicker rate of expansion in both services and manufacturing activities.

Following last week's rumours that China is ramping up its efforts to boost economic growth via infrastructure spending, the Chinese Communist Party raised the budget deficit ratio to 3.8% of GDP from 3.0% and approved the issuance of a further CNY1trn, or USD137bn, of additional sovereign debt issuance. But despite this, ex-PBOC official, Sheng Songcheng, suggested China's economy needs to grow by about 5% in 2024 to signal its development is stable and healthy, although the IMF is suggesting they'll reach 4.2%, while S&P added GDP growth may drop to 2.9% next year if the property crisis widens.

With Alphabet and Microsoft due to report on Q3 earnings after the bell, global equity markets posted modest gains despite Meta being sued by a number of US states over harmful youth marketing claims. Bond markets were quiet with the 10-year treasury flatlined at 4.84% while the USD-index firmed back above the 106.00 level following yesterday's dip to a 1-month low. Commodity prices were also mixed with oil priced dipping -1.75% although US raw sugar futures rose above the USD27.50 level overnight to reach their highest level in 12-years amid threats of low supply as volatile oil prices have contributed to higher ethanol prices thus incentivising sugarcane producers

to supply the more profitable biofuels rather than raw sugar.

And while that move may support the global obesity issue...

... McDonald's is doing its part to counteract this by giving away free fries every Friday for the rest of the year ... but only in the US!

And talking of game-changers, Toyota has announced it is nearing a solid-state battery breakthrough that will provide a single charge 1,200-km range with a 10-min charge!

At an investment summit in Riyadh, the rent-a-quote crowd were out in force when Jamie Dimon announced "I want to point out the central banks, 18-months ago were 100% dead wrong. I would be quite cautious about what might happen next year. I don't think it makes a piece of difference whether rates go up 25bps or more, like zero, none, nada," while, Ray Dalio voiced pessimism on the global outlook stating, "the monetary policies that we are going to see will have greater effects on the world ... it's difficult to be optimistic about that," and Larry Fink said "We will not see a hard or soft landing in 2024. I do believe the Federal Reserve will have to raise rates again," adding the European economy is currently facing more head winds.

Morgan Stanley's chief equity analyst "remains comfortable" with its year-end S&P500 3,900 target, which implies an -8% fall in the index by Christmas!



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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	69.60					CAD	0.8019	0.8726
NZD/USD	0.5841	0.0000	0.0001	0.0001	-0.0006	CHF	0.5220	0.5680
NZD/AUD	0.9187	-0.0011	-0.0030	-0.0054	-0.0099	CNY	4.2609	4.6378
NZD/JPY	87.56	-0.45	-1.31	-2.58	-5.10	DKK	4.1174	4.4804
NZD/EUR	0.5517	-0.0007	-0.0024	-0.0047	-0.0102	FJD	1.3147	1.4306
NZD/GBP	0.4803	-0.0001	-0.0003	-0.0006	-0.0016	HKD	4.5699	4.9729
						KRW	785.98	855.28
AU TWI	60.20					MYR	2.7938	3.0401
AUD/USD	0.6356	0.0007	0.0021	0.0038	0.0060	NOK	6.5235	7.0987
AUD/NZD	1.0879	0.0011	0.0033	0.0061	0.0109	SEK	6.4908	7.0630
AUD/JPY	95.28	-0.38	-1.18	-2.29	-4.54	SGD	0.7989	0.8693
AUD/EUR	0.6002	-0.0001	-0.0008	-0.0016	-0.0049	TWD	18.86	20.53
AUD/GBP	0.5227	0.0005	0.0013	0.0024	0.0036	ZAR	11.10	12.08
USD Index	106.27					EQUITIES		
EUR/USD	1.0586	0.0013	0.0044	0.0089	0.0183		Index	
USD/JPY	149.89	-0.76	-2.27	-4.44	-8.51	NZX50	10,961	
GBP/USD	1.2156	0.0002	0.0008	0.0016	0.0022	ASX200	6,857	
EUR/GBP	0.8707	0.0009	0.0030	0.0060	0.0128	Dow Jones	33,152	
						S&P 500	4,237	
INTEREST RATES			New Zealand		Australia	FTSE100	7,390	
			Mid		Mid	DAX 30	14,880	
30 day bank bills			5.64%		4.14%	Nikkei	31,062	
90 day bank bills			5.69%		4.28%	COMMODITIES		
1 year swap			5.75%		4.39%		USD	
2 year swap			5.56%		4.40%	Brent Crude	88.06	
3 year swap			5.37%		4.40%	Gold	1,972.79	
5 year swap			5.21%		4.69%	Silver	22.92	
10 year swap			5.25%		5.01%	Iron Ore	118.45	
3 year Govt bond			5.42%		4.22%	CRB Index	320.58	
5 year Govt bond			5.39%		4.34%		NZD	
10 year Govt bond			5.56%		4.78%	NZ Carbon	68.75	

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