

# Market Alert

Friday 27 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5826	0.0001
NZD/AUD	0.9202	-0.0052
NZD/JPY	87.58	-2.57
NZD/EUR	0.5515	-0.0046
NZD/GBP	0.4801	-0.0006
NZD/CNH	4.2659	-0.0442
AUD/USD	0.6330	0.0036
AUD/EUR	0.5991	-0.0017
EUR/USD	1.0561	0.0090
USD/CNH	7.3234	-0.0771
GBP/USD	1.2135	0.0015
EUR/GBP	0.8702	0.0060

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.69%	4.38%
2 year swap	5.60%	4.45%
10 year Govt	5.60%	5.00%

## Economic juggernaut

Several US data releases for the September quarter came out last night. They painted a picture of an economy that shows no indication of falling into a recession anytime soon. These views were reinforced by Treasury chief Janet Yellen, who said the strong US GDP data shows evidence of a soft landing for the economy.

Annualised GDP for the September quarter beat expectations, to come in at 4.9%, more than double last quarter's 2.1%. This is the strongest US growth in almost two years. Consumer spending increased by 4.0%, jobless claims increased from a revised 200k to 210k, and Core PCE fell from 3.7% to 2.4%. Despite the strong growth data, markets see the inflation battle as largely done and

are now only pricing in a 25% chance of a further Fed rate hike this cycle. Along with safe haven flows associated with increased geo-political risks, this saw another volatile swing in US Treasury yields overnight, the 2 and 10-year both currently down approximately 10bp to be at 5.04% and 4.85% respectively.

Following Australia's stronger than expected CPI release earlier in the week, data yesterday revealed an erosion in the Australian balance of payments. While export prices shrank by -3.1% in the September quarter, this was not as bad as the previous quarter, where export prices dropped -8.5%. Import prices rose more than expected: 0.8% in the September quarter, following a -0.8% fall in the June quarter. The AUD/USD also hit a 1-year low as it depreciated past the 0.6300 mark, weighed down mainly by the USD, which has been climbing on the back of strong Treasury yields.

Antipodean equity markets are also looking soft. Both the ASX and the NZX hit their lowest levels in nearly a year, taking cues from wall street where investors ignored strong US data and a drop in bond yields and focused on disappointing earnings results. The S&P was down almost -1% at one point overnight, the Nasdaq -1.5% and the Dow sliding over 150 points.

The ECB has decided to call a halt to their rate hiking regime, leaving its key benchmark rate unchanged at 4.00% overnight following a 15-month streak of rate hikes, reflecting the transition

to a slightly more cautious 'wait and see' attitude.

## Suzuki says

Another victim of the strong USD: the yen, weakened past the critical 150 per USD threshold yesterday, a three-decade low, raising already heightened fears that Japanese policymakers could intervene in the foreign exchange market to support its currency. Before the yen had hit this milestone, Japanese Finance Minister, Shunichi Suzuki, warned speculators, not for the first time, that he was "closely watching currency moves with a sense of urgency". However, he stopped short of saying anything specific about the potential for intervention.



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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	69.10					CAD	0.8047	0.8742
NZD/USD	0.5826	0.0000	0.0001	0.0001	-0.0007	CHF	0.5235	0.5690
NZD/AUD	0.9202	-0.0009	-0.0027	-0.0052	-0.0092	CNY	4.2506	4.6129
NZD/JPY	87.58	-0.43	-1.31	-2.57	-5.02	DKK	4.1167	4.4728
NZD/EUR	0.5515	-0.0007	-0.0023	-0.0046	-0.0101	FJD	1.3139	1.4276
NZD/GBP	0.4801	-0.0001	-0.0003	-0.0006	-0.0017	HKD	4.5562	4.9503
						KRW	788.29	856.49
AU TWI	59.70					MYR	2.7874	3.0286
AUD/USD	0.6330	0.0007	0.0020	0.0036	0.0054	NOK	6.5262	7.0908
AUD/NZD	1.0864	0.0010	0.0031	0.0056	0.0102	SEK	6.5018	7.0642
AUD/JPY	95.17	-0.37	-1.15	-2.29	-4.57	SGD	0.7975	0.8665
AUD/EUR	0.5991	-0.0001	-0.0007	-0.0017	-0.0052	TWD	18.89	20.52
AUD/GBP	0.5216	0.0005	0.0012	0.0022	0.0032	ZAR	11.04	11.99
USD Index	106.60					<b>EQUITIES</b>		
EUR/USD	1.0561	0.0013	0.0045	0.0090	0.0181		<b>Index</b>	
USD/JPY	150.37	-0.74	-2.28	-4.45	-8.44	NZX50	10,849	
GBP/USD	1.2135	0.0002	0.0008	0.0015	0.0019	ASX200	6,812	
EUR/GBP	0.8702	0.0009	0.0030	0.0060	0.0128	Dow Jones	32,987	
						S&P 500	4,160	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,355	
			<b>Mid</b>		<b>Mid</b>	DAX 30	14,731	
30 day bank bills			5.64%		4.20%	Nikkei	30,602	
90 day bank bills			5.69%		4.38%	<b>COMMODITIES</b>		
1 year swap			5.74%		4.48%		<b>USD</b>	
2 year swap			5.60%		4.47%	Brent Crude	87.90	
3 year swap			5.41%		4.47%	Gold	1,986.49	
5 year swap			5.26%		4.77%	Silver	22.84	
10 year swap			5.35%		5.09%	Iron Ore	118.48	
3 year Govt bond			5.44%		4.43%	CRB Index	320.34	
5 year Govt bond			5.41%		4.56%		<b>NZD</b>	
10 year Govt bond			5.60%		5.00%	NZ Carbon	69.30	

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