

Market Alert

Monday 30 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5819	0.0002
NZD/AUD	0.9182	-0.0052
NZD/JPY	87.05	-2.56
NZD/EUR	0.5498	-0.0046
NZD/GBP	0.4803	-0.0008
NZD/CNH	4.2700	0.0000
AUD/USD	0.6332	0.0035
AUD/EUR	0.5992	-0.0019
EUR/USD	1.0564	0.0090
USD/CNH	7.3314	-0.0860
GBP/USD	1.2130	0.0015
EUR/GBP	0.8713	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.67%	4.36%
2 year swap	5.57%	4.51%
10 year Govt	5.58%	4.93%

Let's wipe away the tears and look ahead to a new era!

With the 'Fozzie era' now consigned to the history books, we should perhaps take a moment to reflect on the team's outstanding performance at the World Cup, and while we can all bemoan the inconsistencies of the TMO, we should perhaps congratulate the team on making the final and on them making a compelling game of it despite playing three quarters of the match with 14 players. Let's be honest, no-one expected them to make the final. And we should also congratulate South Africa... to win the quarter, semi, and final games all by 1-point is an incredible achievement. Ultimately though, if rugby wants to grab a larger share of the global entertainment markets, it's time to upgrade its offering...

but what about that cricket game...

Let's be honest...

Last week and last month's focus was all about the US 10-year Treasury yield, and that is likely to remain the strategy going forward as well, and where US yields go, the US-dollar follows...

Friday saw the release of the Federal Reserve's preferred inflation gauge, the PCE deflator, which saw US headline inflation ease to its lowest level since May 2021 at 3.4% after prices rose 0.4% on the month, while core prices, excluding food and energy, eased from 3.9% to 3.7% although the monthly index increased to a 4-month high at 0.3%. The US worker saw their wages increase 0.3% on the month, and while spending surged 0.7%, inflation-adjusted consumer spending jumped 0.4%. But while the wage and inflation releases were mildly positive, the University of Michigan survey was a little more depressing after the conditions index eased from 71.4 to 70.66, while business expectations fell from 66.0 to 59.3. Interestingly, the 1-year inflation projection jumped to 4.2% while the 5-10 year forecast increased to 3.0% from 2.8%. Ultimately, international equity markets closed last week 'mixed' with little forward momentum, and with commodity markets also struggling for forward momentum, we should expect a continuation of the financial markets focus to be on the treasury market... with the 10-year yield supporting the US-dollar.

There is no doubt that the NZD/USD and AUD/USD are comfortable below the 0.6000 and 0.6400 levels, so perhaps we should accept we are in a new 'risk off' environment. The fact it appears as though the Israel ground offensive is now underway in Gaza will merely add to this sentiment.

Setting up for 2024

With November shaping up to be the month that sets the focus for Q4, and the starting point for 2024, this week's data will be key. Most focus will naturally be on Thursday's FOMC and Saturday's labour market report, although we also have the ISM PMI updates, JOLTs job report, and factory orders. This week also brings central bank interest rate decisions from the UK and Japan, and, from the Eurozone, Germany and France, inflation and Q3 GDP updates. In Japan, all eyes will be on the BoJ's interest rate decision, as a series of unscheduled JGB purchases prompted the possibility of another tweak to the central bank's yield-curve-control policy. Japan will also update its unemployment rate, industrial growth, and retail sales figures while, from China we have further PMI releases. Finally, we have the latest NZ Q3 labour update on Tuesday where the unemployment rate is expected to increase from Q2's 3.6%.



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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	69.50					CAD	0.8061 0.8786
NZD/USD	0.5819	0.0000	0.0001	0.0002	-0.0012	CHF	0.5234 0.5704
NZD/AUD	0.9162	-0.0009	-0.0027	-0.0052	-0.0091	CNY	4.2655 4.6496
NZD/JPY	87.05	-0.41	-1.31	-2.56	-5.00	DKK	4.1038 4.4733
NZD/EUR	0.5498	-0.0006	-0.0023	-0.0046	-0.0104	FJD	1.3101 1.4281
NZD/GBP	0.4803	-0.0001	-0.0003	-0.0008	-0.0018	HKD	4.5435 4.9525
						KRW	787.07 857.93
AU TWI	60.20					MYR	2.7744 3.0242
AUD/USD	0.6332	0.0006	0.0019	0.0035	0.0051	NOK	6.4707 7.0533
AUD/NZD	1.0889	0.0010	0.0030	0.0055	0.0098	SEK	6.4687 7.0511
AUD/JPY	94.76	-0.36	-1.16	-2.28	-4.58	SGD	0.7959 0.8676
AUD/EUR	0.5992	-0.0001	-0.0008	-0.0019	-0.0057	TWD	18.83 20.52
AUD/GBP	0.5218	0.0004	0.0011	0.0019	0.0030	ZAR	10.95 11.93
USD Index	106.58					EQUITIES	
EUR/USD	1.0564	0.0013	0.0045	0.0090	0.0184		Index
USD/JPY	149.61	-0.72	-2.27	-4.39	-8.37	NZX50	10,767
GBP/USD	1.2130	0.0002	0.0008	0.0015	0.0020	ASX200	6,827
EUR/GBP	0.8713	0.0008	0.0030	0.0059	0.0130	Dow Jones	32,418
						S&P 500	4,117
INTEREST RATES			New Zealand		Australia	FTSE100	7,291
			Mid		Mid	DAX 30	14,687
30 day bank bills			5.63%		4.20%	Nikkei	30,992
90 day bank bills			5.67%		4.36%	COMMODITIES	
1 year swap			5.75%		4.51%		USD
2 year swap			5.57%		4.52%	Brent Crude	90.48
3 year swap			5.39%		4.51%	Gold	2,005.78
5 year swap			5.25%		4.80%	Silver	23.14
10 year swap			5.34%		5.11%	Iron Ore	118.55
3 year Govt bond			5.42%		4.40%	CRB Index	322.69
5 year Govt bond			5.39%		4.52%		NZD
10 year Govt bond			5.58%		4.93%	NZ Carbon	70.10

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