

# Market Alert

Wednesday 01 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5814	0.0002
NZD/AUD	0.9178	-0.0046
NZD/JPY	88.16	-2.57
NZD/EUR	0.5501	-0.0046
NZD/GBP	0.4788	-0.0006
NZD/CNH	4.2705	-0.0531
AUD/USD	0.6333	0.0034
AUD/EUR	0.5989	-0.0020
EUR/USD	1.0571	0.0090
USD/CNH	7.3424	-0.0941
GBP/USD	1.2143	0.0015
EUR/GBP	0.8706	0.0061

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.40%
2 year swap	5.57%	4.64%
10 year Govt	5.64%	5.04%

## "I don't believe it!"

Without wanting to go full Victor Meldrew, it's the 1st of November and I've just seen my first Christmas advert on TV!

The BoJ ignored the rumour mill and played the Nikkei article with a full cover drive merely changing their YCC language and widening their reference points for the 10-year JGB range from 0.50% to 1.00%. Unfortunately, this was not the extension to 1.50% the markets were expecting, which halted the yield rally at 0.94% while a new bout of JPY selling drove USD/JPY to new highs, and just shy of its all-time high, as we open this morning at 151.60. Oh yes, they also left the short-term interest rate target at -0.1%, and the rest of the statement was 'par for the course.'

BoC Governor, Tiff Macklem, announced, "We held policy steady (last week) because monetary policy is working to cool the economy and relieve price pressures. If inflationary pressures persist, we are prepared to raise our policy rate further to restore price stability."

ECB member and Bundesbank President, Joachim Nagel, also stated, "Inflation has now fallen significantly, but it is still too high. We must not let up too soon, rates must be sufficiently high for long time. It is not yet possible to say if rates have reached their peak." This was after Eurozone inflation declined to 2.9% in October to reach its lowest level since July 2021, while the core rate cooled to 4.2%, its lowest level since July 2022. Preliminary Eurozone Q3 GDP was also released with the economy shrinking -0.1% on quarter, which was worse than market forecasts of a flat print and followed an upwardly revised Q2 0.2% print. It was the first contraction since 2020.

One election and confidence surges... NZ October business confidence jumped from 1.5% to 23.4% while the own activity index rallied from 10.9 to 23.1%

And in China, we've some flashing red lights to go with the previous green shoots after manufacturing PMIs fell from 50.2 to 49.5 while non-manufacturing PMIs shrank from 51.8 to 50.6.

US Q3 civilian wages increased by 1.1% on the quarter, slightly higher than Q2's 1.0% while the CoreLogic Case-Shiller home price index rose 2.2% in the year

to August, which was the index's biggest rise in 7-months.

## And speaking of the US, while racking up their largest ever deficit...

... the US treasury updated its Q4 23 financing requirements which are forecast to be at USD776bn! Looking further ahead, Q1 24 forecasts are at USD816bn, with the Treasury aiming to maintain cash balances of USD750bn in both Q4 23 and Q1 24. The inclusion of the 'cash balance' is classic case of 'smoke and mirrors' as the Treasury's funding requirements have 'just' been moved from the borrowing number to the cash balance number... ultimately both of these balances will need to be financed by selling bonds. Tomorrow morning the Treasury will announce the tenor of their borrowing programme, with some expectations pointing towards a higher weighting of T-bills... whatever the durations are, the announcement will conceivably have a bigger impact than the FOMC announcement.

The slightly lower than expected US Q4 funding requirement contributed to a steady night for bond markets, while the weakening JPY filtered through to a weaker AUD and NZD. Equity and commodity markets made small gains to close the month although oil prices eased back a further -1.4%.



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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	69.40					CAD	0.8069	0.8791
NZD/USD	0.5814	0.0000	0.0002	0.0002	-0.0004	CHF	0.5291	0.5765
NZD/AUD	0.9178	-0.0009	-0.0025	-0.0046	-0.0079	CNY	4.2549	4.6331
NZD/JPY	88.16	-0.44	-1.32	-2.57	-5.07	DKK	4.1043	4.4708
NZD/EUR	0.5501	-0.0007	-0.0023	-0.0046	-0.0104	FJD	1.3115	1.4286
NZD/GBP	0.4788	-0.0001	-0.0002	-0.0006	-0.0017	HKD	4.5496	4.9557
						KRW	786.52	856.73
AU TWI	60.20					MYR	2.7686	3.0158
AUD/USD	0.6333	0.0007	0.0019	0.0034	0.0049	NOK	6.4991	7.0792
AUD/NZD	1.0887	0.0010	0.0028	0.0052	0.0085	SEK	6.4951	7.0749
AUD/JPY	96.01	-0.39	-1.18	-2.33	-4.76	SGD	0.7964	0.8675
AUD/EUR	0.5989	-0.0002	-0.0009	-0.0020	-0.0064	TWD	18.87	20.55
AUD/GBP	0.5215	0.0004	0.0012	0.0020	0.0026	ZAR	10.85	11.82
USD Index	106.72					<b>EQUITIES</b>		
EUR/USD	1.0571	0.0013	0.0046	0.0090	0.0191		<b>Index</b>	
USD/JPY	151.58	-0.76	-2.30	-4.48	-8.61	NZX50	10,758	
GBP/USD	1.2143	0.0002	0.0009	0.0015	0.0022	ASX200	6,781	
EUR/GBP	0.8706	0.0009	0.0031	0.0061	0.0132	Dow Jones	32,955	
						S&P 500	4,184	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,322	
			<b>Mid</b>		<b>Mid</b>	DAX 30	14,810	
30 day bank bills			5.64%		4.22%	Nikkei	30,859	
90 day bank bills			5.68%		4.40%	<b>COMMODITIES</b>		
1 year swap			5.75%		4.60%		<b>USD</b>	
2 year swap			5.57%		4.66%	Brent Crude	87.43	
3 year swap			5.40%		4.65%	Gold	1,980.79	
5 year swap			5.29%		4.95%	Silver	22.77	
10 year swap			5.42%		5.27%	Iron Ore	118.70	
3 year Govt bond			5.45%		4.49%	CRB Index	317.93	
5 year Govt bond			5.45%		4.62%		<b>NZD</b>	
10 year Govt bond			5.64%		5.04%	NZ Carbon	70.00	

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