

Market Alert

Monday 20 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5991	0.0002
NZD/AUD	0.9194	-0.0043
NZD/JPY	89.57	-2.53
NZD/EUR	0.5484	-0.0044
NZD/GBP	0.4811	-0.0005
NZD/CNH	4.3240	0.0000
AUD/USD	65.1600	0.0032
AUD/EUR	0.5958	-0.0020
EUR/USD	1.0907	0.0087
USD/CNH	7.2171	-0.0967
GBP/USD	1.2461	0.0014
EUR/GBP	0.8756	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.43%
2 year swap	5.06%	4.36%
10 year Govt	4.97%	4.56%

The more things change...

... the more they stay the same with Australia winning their 6th cricket world cup and Max Verstappen recorded yet another formula 1 victory... viva Las Vegas!

Financial markets also reverted to BAU mode... although that was because most participants were exhausted after the recent volatility in bond markets, and despite the improving-data, we still had a couple of FOMC members wheeling out the standard rhetoric with Boston Fed member Susan Collins warning, "Three month core inflation is still at 3.4%. I don't see additional hikes off the table yet." We then had Chicago member Austan Goolsbee add, "Inflation is front-of-mind to me but is still too high" while Mary Daly chimed in with, "The Fed is not certain if inflation is on track to 2% (as we) are

unsure about length of policy lags. The Fed uncertain if current economic dynamics are 'remnants' of pandemic recovery or the new normal."

And despite the different situation in Europe, ECB member and Belgium Central bank Governor Pierre Wunsch, rolled out the same standard warning, "We are in a weak form of stagflation today. We need to be comfortable we're going to 2% inflation before we cut rates. I've been pleading for a discussion on ending PEPP reinvestments early."

But despite the various central bank members warning of the risks of higher inflation, market participants simply don't believe them, and given the recent data releases, can you blame them? Equity markets were flooded in green, although there was an interesting split with European bourses posting gains of around 1.0% while the US exchanges were only incrementally higher.

Commodity markets were mixed with oil prices reversing the previous day's losses rallying 4.0%, while gas prices continued to sell-off. Bond markets, for a change, has a quiet session with the US 2-year yield firming 5bps to yield 4.89% while the 10-year yield eased back to 4.44%. The USD-index also continued its fall from grace, which saw the EUR and JPY make solid gains, while the NZD and AUD are still within their ranges.

On a positive note

Reports are emerging that Israel, the US and Hamas have reached a tentative agreement to free dozens of women and

children held hostage in Gaza in exchange for a 5-day pause in fighting.

There wasn't much to report in terms of data with US October housing starts reaching 1.372m verse the 1.350m expected, the Atlanta Fed lowered its GDPNow Q4 forecast to 2.0% from 2.2%, while the Eurozone recorded its largest current account surplus since July 2021 after it reached EUR 40.78 billion in September.

In Australia, the Federal government has cancelled 50 infrastructure projects worth AUD11.6 billion due to worker shortages, supply chain constraints and high inflation while one of the Australian banks adjusted their RBNZ call announcing, "our central forecast no longer includes a resumption of hiking, with our terminal forecast at 4.75% still considered contractionary."

The main focus this week

Will be on the FOMC meeting minutes closely followed by the releases of US durable goods orders, services, and manufacturing PMIs, along with existing and new home sales. We also have manufacturing and services PMIs from Australia, France, Germany, the Eurozone, the UK, and Japan, Germany updates their IFO business sentiment, while we have inflation updates from Canada, and. Japan. The RBA minutes should shed some light on the reasoning behind the latest resumption of the central bank's tightening cycle while the PBoC is expected to maintain its loan prime rates unchanged.



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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	0.8181 0.8935
NZD/USD	0.5991	0.0000	0.0001	0.0002	-0.0004	CHF	0.5285 0.5759
NZD/AUD	0.9194	-0.0008	-0.0023	-0.0043	-0.0070	CNY	4.3187 4.6982
NZD/JPY	89.57	-0.42	-1.30	-2.53	-4.88	DKK	4.0766 4.4422
NZD/EUR	0.5484	-0.0006	-0.0022	-0.0044	-0.0093	FJD	1.3547 1.4762
NZD/GBP	0.4811	-0.0001	-0.0002	-0.0005	-0.0012	HKD	4.6504 5.0675
						KRW	772.21 841.46
AU TWI	60.60					MYR	2.7909 3.0412
AUD/USD	0.6516	0.0006	0.0018	0.0032	0.0047	NOK	6.4220 6.9979
AUD/NZD	1.0877	0.0007	0.0024	0.0049	0.0071	SEK	6.2834 6.8469
AUD/JPY	97.47	-0.37	-1.17	-2.32	-4.62	SGD	0.8019 0.8739
AUD/EUR	0.5958	-0.0002	-0.0009	-0.0020	-0.0058	TWD	18.93 20.63
AUD/GBP	0.5215	0.0004	0.0011	0.0019	0.0025	ZAR	10.96 11.94
USD Index	103.82					EQUITIES	
EUR/USD	1.0907	0.0013	0.0044	0.0087	0.0181		Index
USD/JPY	149.58	-0.70	-2.20	-4.27	-8.16	NZX50	11,177
GBP/USD	1.2461	0.0002	0.0008	0.0014	0.0025	ASX200	7,049
EUR/GBP	0.8756	0.0009	0.0029	0.0058	0.0119	Dow Jones	34,947
						S&P 500	4,514
INTEREST RATES			New Zealand		Australia	FTSE100	7,504
			Mid		Mid	DAX 30	15,919
30 day bank bills			5.62%		4.34%	Nikkei	33,585
90 day bank bills			5.67%		4.43%	COMMODITIES	
1 year swap			5.51%		4.46%		USD
2 year swap			5.06%		4.37%	Brent Crude	80.61
3 year swap			4.81%		4.31%	Gold	1,980.01
5 year swap			4.64%		4.51%	Silver	23.73
10 year swap			4.75%		4.78%	Iron Ore	128.95
3 year Govt bond			4.84%		4.15%	CRB Index	310.68
5 year Govt bond			4.78%		4.22%		NZD
10 year Govt bond			4.97%		4.56%	NZ Carbon	70.05

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