

Market Alert

Thursday 23 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6019	0.0001
NZD/AUD	0.9202	-0.0043
NZD/JPY	90.08	-2.59
NZD/EUR	0.5530	-0.0044
NZD/GBP	0.4820	-0.0006
NZD/CNH	4.3127	-0.0595
AUD/USD	0.6539	0.0032
AUD/EUR	0.6008	-0.0020
EUR/USD	1.0880	0.0086
USD/CNH	7.1665	-0.1007
GBP/USD	1.2484	0.0015
EUR/GBP	0.8713	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.42%
2 year swap	5.12%	4.44%
10 year Govt	5.00%	4.52%

It's time to fatten up those turkeys...

... and no, I'm not talking about those economists who think the RBNZ will undertake an aggressive cutting cycle next year, I'm talking about Thanksgiving! It's time for every American to spend 3 days travelling across the country to meet up with family, just in time to get the turkey out of the oven, crack open that beer, turn on the local footie game, and then spend 2 days getting home!

So, with most of America taking the Friday off to extend the Thanksgiving holiday into a 4-day weekend, financial markets are essentially entering a holding pattern. Ahead of the long weekend, however, there was a bit of excitement after oil prices fell -1.75% after OPEC+ delayed a scheduled meeting where it was expected they would announce

further production cuts while US crude inventories rose more than expected last week to 8.7m barrels. And speaking of the US, durable goods orders slumped -5.4% from last month's 4.6% gain, initial jobless claims fell more than expected to 209k from the prior week's revised 233k, and finally the University of Michigan Sentiment index firmed from 60.4 to 61.3 with its 1-year inflation forecast firmed to 4.5% from 4.4%.

But does anyone really care? Not really, as market activity was extremely subdued with equity markets posting modest gains and commodity markets weakening at the peripheral. Bond and currency markets were steady, with the USD-index posting modest gains after its recent sell-off.

We also had a few central bank speakers on the newswires... BoC Governor, Tiff Macklem, adapted his rhetoric with, "Canadian interest rates may be high enough. When it comes to monetary policy, we will be taking it one meeting at a time. If inflation keeps coming down, if we see underlying inflationary pressures ease, we probably won't have to raise rates further." Bundesbank and ECB member, Joachim Nagel, added later, "The ECB is close to a level considered as the 'terminal rate'. We are uncertain if the ECB will implement further rate increases, rates will remain stable for some time. There is no concern that the ECB is moving toward a hard landing (although) German growth will probably flat this year, but better in 2024." The ECB also warned of 'early signs of stress' at Eurozone

banks as default rates rise, the Australian leading index contracted from -0.38% to -0.40% implying weaker growth ahead, while we also had the UK Government 'flashing the cash,' cutting employee national insurance contributions from 12.0% to 10.0%. Finally, the Japanese government slashed its view on the economy with its first downgrade in 10 months.

Talking of optimistic turkeys...

... JPMorgan is forecasting the BoE will deliver 50bp of interest rate cuts by Q4 2024. Chinese Government advisers recommend a 2024 GDP target of 5.0%, while Goldmans is forecasting a steepening yield curve as "US fiscal spending has not abated, and it doesn't feel like we're going to see fiscal discipline any time soon. Our base case is a more normalised, steeper yield curve with lower rates in the front end and not a lot of relief in the back end." That last point actually makes sense.

Has the moon just gone nuclear? I don't know but researchers concluded that the 'space junk' that crashed into lunar surface last year was from a Chinese Long March rocket launched in 2014, and the depressions caused by the impact suggest it was carrying 'undisclosed' devices or instruments.



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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	70.50					CAD	0.8248	0.8961
NZD/USD	0.6019	0.0000	0.0001	0.0001	0.0000	CHF	0.5324	0.5785
NZD/AUD	0.9202	-0.0008	-0.0024	-0.0043	-0.0067	CNY	4.3009	4.6764
NZD/JPY	90.08	-0.42	-1.31	-2.59	-5.00	DKK	4.1227	4.4786
NZD/EUR	0.5530	-0.0007	-0.0022	-0.0044	-0.0092	FJD	1.3334	1.4486
NZD/GBP	0.4820	-0.0001	-0.0003	-0.0006	-0.0012	HKD	4.6930	5.0984
						KRW	784.22	851.97
AU TWI	60.90					MYR	2.8139	3.0570
AUD/USD	0.6539	0.0006	0.0018	0.0032	0.0046	NOK	6.4734	7.0327
AUD/NZD	1.0863	0.0009	0.0026	0.0048	0.0072	SEK	6.3145	6.8600
AUD/JPY	97.88	-0.38	-1.19	-2.39	-4.73	SGD	0.8079	0.8777
AUD/EUR	0.6008	-0.0003	-0.0009	-0.0020	-0.0059	TWD	19.04	20.68
AUD/GBP	0.5236	0.0004	0.0010	0.0018	0.0025	ZAR	11.36	12.34
USD Index	103.94					EQUITIES		
EUR/USD	1.0880	0.0014	0.0045	0.0086	0.0182		Index	
USD/JPY	149.69	-0.70	-2.22	-4.33	-8.31	NZX50	11,170	
GBP/USD	1.2484	0.0002	0.0008	0.0015	0.0023	ASX200	7,073	
EUR/GBP	0.8713	0.0009	0.0029	0.0057	0.0125	Dow Jones	35,257	
						S&P 500	4,560	
INTEREST RATES			New Zealand		Australia	FTSE100	7,470	
			Mid		Mid	DAX 30	15,958	
30 day bank bills			5.62%		4.34%	Nikkei	33,452	
90 day bank bills			5.67%		4.42%	COMMODITIES		
1 year swap			5.54%		4.46%		USD	
2 year swap			5.12%		4.46%	Brent Crude	81.46	
3 year swap			4.87%		4.39%	Gold	1,987.69	
5 year swap			4.66%		4.59%	Silver	23.57	
10 year swap			4.74%		4.82%	Iron Ore	129.55	
3 year Govt bond			4.91%		4.13%	CRB Index	314.75	
5 year Govt bond			4.84%		4.20%		NZD	
10 year Govt bond			5.00%		4.52%	NZ Carbon	70.60	

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