

Market Alert

Tuesday 28 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6089	0.0001
NZD/AUD	0.9224	-0.0044
NZD/JPY	90.62	-2.61
NZD/EUR	0.5567	-0.0045
NZD/GBP	0.4826	-0.0006
NZD/CNH	4.3628	-0.0615
AUD/USD	0.6599	0.0031
AUD/EUR	0.6032	-0.0021
EUR/USD	1.0939	0.0088
USD/CNH	7.1632	-0.1020
GBP/USD	1.2615	0.0014
EUR/GBP	0.8670	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.43%
2 year swap	5.21%	4.42%
10 year Govt	5.12%	4.64%

Ahead of tomorrow's RBNZ meeting...

... it is interesting to note that the newly formed government coalition is seeking to amend the RBNZ Act 2021 to remove its dual mandate on inflation and employment. Coincidentally, the upper house of the UK Parliament, the House of Lords, has just released a report on the BoE following a review of the central bank's response to inflation. The review recommends the central bank focus more on changes in money supply and that the MPC should have a wider range of views among its interest rate-setters in order to better spot future surges in inflation given that, "policymakers were too slow to respond and were too reliant on inadequate forecasting models." Interestingly, the report also suggested that significant

reform is needed at the BoE, warning that "the central bank was spread too thinly due to the wide-ranging remit given to it by the government. Climate change is the most-cited example of the expansion of the remit." Alongside controlling inflation and ensuring financial stability, the annual remit given to the BoE's main policy committees included secondary objectives to support government goals ranging from home ownership to energy security.

Profits earned by China's industrial firms declined by -7.8% year-on-year to CNY6,115bn in the first 10-months, compared to the -9.0% slump in the September period, amid a fragile economic recovery. Meanwhile, the PBoC has also undertaken steps to support the local economy, and in effect become the lender of last resort, announcing, "We will support private enterprises in listing and financing, mergers and acquisitions, and restructuring. We will work to encourage lenders to not cut or suspend loans to private companies facing temporary difficulties but have competitive technologies to reasonably meet the financing needs of private property companies."

In other headlines, Japanese service PPIs jumped 2.3% in the year to October, which was ahead of the 2.1% forecast, feeding speculation the BoJ could end its negative interest rate policy in April. A gauge of UK retail sales 'improved' to -11 in November, from October's -36 reading, while US new home sales fell -5.6% to 679K in October as the highest mortgage

rates in two decades continued to weigh on buyers' affordability.

What? There's a Pom in charge?

Well, not quite but the RBA has appointed the BoE's Head of Markets, Andrew Hauser, as Deputy Governor of the RBA.

And speaking of central bankers, BoE Governor Andrew Bailey warned interest rate cuts are unlikely for the "foreseeable future" warning the inflation battle will be "hard work", while the ECB's Christine Lagarde announced, "we expect the weakening on inflationary pressures to continue, but this is not the time to start declaring victory."

So, what does it all mean...

In the grand scheme of things, not a lot as the focus was all on the US bond markets after the 10-year yield dropped 8bps to 4.40% after robust demand was observed in this morning's USD55bn auction of 5-year notes. Foreign investors showed significant interest, taking 65.5% of the total, up from 61.5% in the previous October auction. This contributed to a weaker US-dollar index, which fell to 103.25, its lowest level in 3-months, which saw the NZD/USD trade at 0.6100 and the AUD/USD reach 0.6600. Safe haven buying also provided a boost to gold prices, which rallied above the USD2k level to reach a 6-month high, oil prices were flat, while equity markets saw modest selling pressure.



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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	70.90					CAD	0.8299 0.8995
NZD/USD	0.6089	0.0000	0.0001	0.0001	-0.0003	CHF	0.5363 0.5814
NZD/AUD	0.9224	-0.0008	-0.0024	-0.0044	-0.0074	CNY	4.3572 4.7176
NZD/JPY	90.62	-0.42	-1.32	-2.61	-5.00	DKK	4.1500 4.4975
NZD/EUR	0.5567	-0.0007	-0.0022	-0.0045	-0.0096	FJD	1.3415 1.4538
NZD/GBP	0.4826	-0.0001	-0.0003	-0.0006	-0.0012	HKD	4.7445 5.1419
						KRW	791.30 857.57
AU TWI	61.20					MYR	2.8490 3.0877
AUD/USD	0.6599	0.0006	0.0018	0.0031	0.0042	NOK	6.4876 7.0310
AUD/NZD	1.0832	0.0009	0.0026	0.0048	0.0070	SEK	6.3549 6.8872
AUD/JPY	98.19	-0.37	-1.19	-2.38	-4.77	SGD	0.8143 0.8826
AUD/EUR	0.6032	-0.0002	-0.0009	-0.0021	-0.0064	TWD	19.19 20.80
AUD/GBP	0.5231	0.0004	0.0010	0.0018	0.0023	ZAR	11.37 12.33
USD Index	103.36					EQUITIES	
EUR/USD	1.0939	0.0013	0.0044	0.0088	0.0180		Index
USD/JPY	148.79	-0.70	-2.19	-4.30	-8.14	NZX50	11,156
GBP/USD	1.2615	0.0002	0.0008	0.0014	0.0021	ASX200	6,988
EUR/GBP	0.8670	0.0009	0.0029	0.0059	0.0127	Dow Jones	35,337
						S&P 500	4,560
INTEREST RATES			New Zealand		Australia	FTSE100	7,461
			Mid		Mid	DAX 30	15,966
30 day bank bills			5.62%		4.34%	Nikkei	33,448
90 day bank bills			5.67%		4.43%	COMMODITIES	
1 year swap			5.52%		4.51%		USD
2 year swap			5.21%		4.43%	Brent Crude	80.50
3 year swap			4.99%		4.35%	Gold	2,012.30
5 year swap			4.80%		4.54%	Silver	24.63
10 year swap			4.86%		4.79%	Iron Ore	130.16
3 year Govt bond			5.06%		4.26%	CRB Index	309.15
5 year Govt bond			4.99%		4.33%		NZD
10 year Govt bond			5.12%		4.64%	NZ Carbon	72.75

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