

Market Alert

Wednesday 29 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6128	0.0000
NZD/AUD	0.9221	-0.0042
NZD/JPY	90.42	-2.60
NZD/EUR	0.5580	-0.0045
NZD/GBP	0.4830	-0.0006
NZD/CNH	4.3774	-0.0638
AUD/USD	0.6642	0.0031
AUD/EUR	0.6046	-0.0022
EUR/USD	1.0981	0.0087
USD/CNH	7.1423	-0.1041
GBP/USD	1.2684	0.0013
EUR/GBP	0.8654	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.42%
2 year swap	5.16%	4.36%
10 year Govt	5.04%	4.58%

It's RBNZ day...

... so strap yourselves in!

To be fair to our Governor, through the pandemic and beyond, he's stuck to his guns, told us what he was planning to do, and then followed through on those actions. Which raises the question, will Mr. Orr maintain the line that there won't be interest rate cuts until H1 2025, or will he soften his rhetoric? Current market pricing believes he will make the adjustment as the market is pricing in a first OCR cut by mid-2024, with a further 2 cuts by the end of 2024 to bring the cash rate down to 4.75%. But then again, he's never been one to 'play to the markets tune!'

But does it make any difference anyway given that international markets are continuing to drive sentiment, currencies,

and fixed income movements. Last night saw a continuation of this with the US 2-year yield plummeting 12bps to 4.77% while the 10-years eased to its lowest level since September falling 3bps to 4.35% as traders start to price in rate cuts in 2024. Interestingly, one speculator is wagering the Fed will cut as much as 250bps next year via a SOFR option trade although the swaps market is much more rational pricing in around 95bps of cuts. Fed member, Christopher Waller, certainly added some fuel to the cutting fire stating he's "increasingly confident that policy is well positioned to slow the economy and get inflation back to 2.0%. If inflation goes down, you should lower the policy rate." Colleague Austin Goolsbee then added, "Overall, progress has been made on inflation" although Michelle Bowman countered this stating she "favours hiking rates if inflation progress stalls."

In terms of price action, the Treasury issued a further USD39 bn of 7-year notes at 4.399% against forecasts at 4.378% generating a 2.1bps 'tail' on softer demand. This provided a molecule of support for the USD, but it wasn't enough to outweigh the selling interest which saw the USD-index reach a 15-week low. This saw NZD/USD start to consolidate above the 0.6100 level while AUD/USD is closing in on the 0.6650 handle. Simply put... the trend remains your friend! In the other markets, energy-related products and gold prices posted modest gains, while equity markets were flat.

Looking at the other headlines...

... there wasn't much to report... US house prices rose 0.7% in September from August to reach a new record high, German GfK consumer confidence edged up to -27.8 in December from November's downwardly revised -28.3, and Australian retail sales fell -0.2% in October.

We also had RBA Governor, Michelle Bullock, on the wires announcing, "I expect inflation to decline to just under 3.0% in 2025, but the inflation's path is uncertainty. Monetary policy is restrictive and rate hikes are dampening demand, but demand being propped up by immigration. Services inflation is also sticky." BoE Deputy Governor, Dave Ramsden, also added, "Monetary policy is likely to need to be restrictive for an extended period of time to get inflation back to its 2.0% target," while ECB President, Christine Lagarde, said, "Bank is likely to discuss speeding up the shrinkage of its balance sheet by ending the last of its bond purchases earlier than planned." Finally, PBoC Governor, Pan Gongsheng, announced, "China's economy is continuing to gain momentum and inflation is bottoming out. We're confident China will enjoy sustainable growth in 2024. We will continue to keep monetary policy accommodative and make it easier for foreign financial institutions to do business in China."



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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	71.00					CAD	0.8314	0.9015
NZD/USD	0.6128	0.0000	0.0001	0.0000	-0.0008	CHF	0.5382	0.5836
NZD/AUD	0.9221	-0.0008	-0.0023	-0.0042	-0.0067	CNY	4.3733	4.7400
NZD/JPY	90.42	-0.41	-1.31	-2.60	-5.00	DKK	4.1597	4.5087
NZD/EUR	0.5580	-0.0006	-0.0022	-0.0045	-0.0100	FJD	1.3450	1.4579
NZD/GBP	0.4830	-0.0001	-0.0003	-0.0006	-0.0015	HKD	4.7781	5.1788
						KRW	789.38	855.60
AU TWI	61.50					MYR	2.8618	3.1018
AUD/USD	0.6642	0.0005	0.0018	0.0031	0.0042	NOK	6.5120	7.0582
AUD/NZD	1.0837	0.0008	0.0026	0.0048	0.0070	SEK	6.3338	6.8650
AUD/JPY	98.01	-0.36	-1.17	-2.38	-4.70	SGD	0.8160	0.8844
AUD/EUR	0.6046	-0.0002	-0.0009	-0.0022	-0.0063	TWD	19.20	20.81
AUD/GBP	0.5235	0.0003	0.0010	0.0018	0.0025	ZAR	11.39	12.35
USD Index	102.78					EQUITIES		
EUR/USD	1.0981	0.0013	0.0044	0.0087	0.0179		Index	
USD/JPY	147.52	-0.67	-2.15	-4.27	-7.96	NZX50	11,237	
GBP/USD	1.2684	0.0002	0.0008	0.0013	0.0016	ASX200	7,015	
EUR/GBP	0.8654	0.0008	0.0028	0.0059	0.0123	Dow Jones	35,416	
						S&P 500	4,555	
INTEREST RATES			New Zealand		Australia	FTSE100	7,455	
			Mid		Mid	DAX 30	15,993	
30 day bank bills			5.62%		4.34%	Nikkei	33,408	
90 day bank bills			5.66%		4.42%	COMMODITIES		
1 year swap			5.52%		4.49%		USD	
2 year swap			5.16%		4.38%	Brent Crude	81.80	
3 year swap			4.92%		4.31%	Gold	2,039.67	
5 year swap			4.73%		4.50%	Silver	24.92	
10 year swap			4.79%		4.75%	Iron Ore	130.42	
3 year Govt bond			4.96%		4.21%	CRB Index	307.55	
5 year Govt bond			4.89%		4.27%		NZD	
10 year Govt bond			5.04%		4.58%	NZ Carbon	74.10	

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