

# Market Alert

Wednesday 06 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6130	-0.0002
NZD/AUD	0.9352	-0.0049
NZD/JPY	90.33	-2.60
NZD/EUR	0.5686	-0.0049
NZD/GBP	0.4871	-0.0006
NZD/CNH	4.3972	-0.0610
AUD/USD	0.6551	0.0032
AUD/EUR	0.6075	-0.0021
EUR/USD	1.0780	0.0087
USD/CNH	7.1735	-0.0975
GBP/USD	1.2580	0.0011
EUR/GBP	0.8568	0.0060

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.63%	4.36%
2 year swap	5.19%	4.16%
10 year Govt	4.93%	4.42%

## Australia's central bank shocks...

... absolutely no one yesterday when the RBA left the Australian cash rate unchanged at 4.35% but unlike the RBNZ, the RBA statement had a degree of realism. Sticking to the global central bank theme, the forward looking language stated, "Whether further tightening of monetary policy is required to ensure that inflation returns to target in a reasonable timeframe will depend upon the data and the evolving assessment of risks," although there was the added catalyst that, "Monthly CPI suggests inflation is moderating." Breaking it down, the data since the November hike was broadly in line with expectations. While the market was expecting a 'hawkish hold,' the acknowledgement that inflation was moderating saw the AUD weaken and

interest rates ease, which also dragged the NZD lower.

To some extent, we shouldn't have been surprised considering the data releases before the RBA meeting were particularly poor, with Australian consumer confidence remaining in deeply pessimistic territory - easing from 76.7 to 76.4, services PMIs collapsed from 47.9 to 46.0 in November, while the Q3 current account surplus caught everyone out as it was a deficit, falling from AUD7.7bn to -AUD0.2bn against expectations at AUD3.2bn.

The GDT auction saw dairy prices gain 1.6% overnight, with whole milk powder leading the gains at 2.1%, skim gaining 1.2% and butter gaining 0.7%. More broadly, the NZ commodity price index fell -1.3% in November following October's 2.9% gain. Building activity fell -2.4% in Q3 although it was up 10% on the year. Breaking the Q3 numbers down, residential building work was down -0.6% while non-residential work was down -5.9%.

US Job Openings decreased by 617k from the previous month to 8.7m in October of this year, this was the lowest level since March of 2021 and well below the market consensus of 9.3m. A cooling US labour market reinforced the belief that the Fed is done raising rates and might even be cutting sooner than expected in 2024. As a result, the yield on the US 10-year Treasury revisited a three month low, dropping below 4.20%.

In Japan, Tokyo inflation, which is viewed as a lead-indicator for Japan country-wide inflation, undershot expectations and prior prints, falling to 2.6%, while the core eased to 2.3%. National level CPI should follow in about three weeks' time.

The Chinese Caixin service PMIs for November printed at 51.5, against an expected 50.8. This marks an impressive 11th straight month of growth in its services activity and the fastest expansion since August. Moody's affirmed China's credit rating at A1 yesterday but revised its outlook from "stable" to "negative", saying the need for government intervention to support banks and local governments poses "broad downside risks to China's fiscal, economic and institutional strength. The outlook change also reflects the increased risks related to structurally and persistently lower medium-term economic growth."

## Rick Rieder's reality check

BlackRock's CIO, Rick Rieder, announced, "Inflation is coming down, the data is clear on inflation! I think they (the Federal Reserve) are done (hiking rates). I think the Fed has got to start cutting, although I think the market is ahead of itself in March... that is over the top. But I think in May, June they'll start cutting... start doing something like 25bps cuts to get the real rate down to what is a level that, by the way, would be restrictive. It is too restrictive today."



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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	71.70					CAD	0.8321 0.8895
NZD/USD	0.6130	0.0001	0.0001	-0.0002	-0.0019	CHF	0.5368 0.5738
NZD/AUD	0.9352	-0.0010	-0.0025	-0.0049	-0.0092	CNY	4.3822 4.6813
NZD/JPY	90.33	-0.48	-1.30	-2.60	-5.02	DKK	4.2386 4.5298
NZD/EUR	0.5686	-0.0008	-0.0021	-0.0049	-0.0118	FJD	1.3526 1.4455
NZD/GBP	0.4871	-0.0001	-0.0002	-0.0006	-0.0020	HKD	4.7930 5.1222
						KRW	806.46 861.85
AU TWI	61.20					MYR	2.8572 3.0534
AUD/USD	0.6551	0.0008	0.0018	0.0032	0.0035	NOK	6.6962 7.1561
AUD/NZD	1.0685	0.0010	0.0027	0.0053	0.0090	SEK	6.4296 6.8711
AUD/JPY	96.54	-0.41	-1.13	-2.29	-4.58	SGD	0.8222 0.8787
AUD/EUR	0.6075	-0.0002	-0.0007	-0.0021	-0.0075	TWD	19.33 20.66
AUD/GBP	0.5206	0.0004	0.0011	0.0020	0.0023	ZAR	11.64 12.44
USD Index	104.06					<b>EQUITIES</b>	
EUR/USD	1.0780	0.0016	0.0043	0.0087	0.0186		<b>Index</b>
USD/JPY	147.32	-0.80	-2.14	-4.19	-7.74	NZX50	11,357
GBP/USD	1.2580	0.0004	0.0008	0.0011	0.0004	ASX200	7,062
EUR/GBP	0.8568	0.0010	0.0028	0.0060	0.0140	Dow Jones	36,113
						S&P 500	4,566
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,490
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,533
30 day bank bills			5.58%		4.28%	Nikkei	32,776
90 day bank bills			5.63%		4.36%	<b>COMMODITIES</b>	
1 year swap			5.58%		4.34%		<b>USD</b>
2 year swap			5.19%		4.16%	Brent Crude	77.56
3 year swap			4.92%		4.09%	Gold	2,016.99
5 year swap			4.68%		4.31%	Silver	24.11
10 year swap			4.74%		4.59%	Iron Ore	130.46
3 year Govt bond			4.93%		4.00%	CRB Index	304.61
5 year Govt bond			4.79%		4.06%		<b>NZD</b>
10 year Govt bond			4.93%		4.42%	NZ Carbon	75.25

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