

Market Alert

Tuesday 19 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6209	-0.0001
NZD/AUD	0.9261	-0.0048
NZD/JPY	88.71	-2.50
NZD/EUR	0.5683	-0.0045
NZD/GBP	0.4908	-0.0006
NZD/CNH	4.4346	-0.0540
AUD/USD	0.6703	0.0033
AUD/EUR	0.6134	-0.0018
EUR/USD	1.0923	0.0083
USD/CNH	7.1426	-0.0855
GBP/USD	1.2646	0.0008
EUR/GBP	0.8637	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.63%	4.36%
2 year swap	4.80%	4.02%
10 year Govt	4.53%	4.06%

The next few days will put the finishing touches on 2023 ...

... and for financial markets, it wasn't quite the year we expected, but at least it wasn't as bad as we feared! But as we finish 2023, there is a lot to ponder for 2024 ... I suspect the quid-pro-quo battle between inflation and interest rates still has a long way to go, will we see an increase in corporate spreads and defaults? Will the wealth differential continue to increase? Will we continue to see an increase worker activism? Who knows, and we haven't even started to contemplate the geo-political risks! One thing that we do know is that FX, interest rate, commodity and equity markets will remain volatile, boards, the C-suite, and Treasurers will remain busy, and your friendly treasury advisor will be here to help in 2024!

With every equity analyst forecasting new, record highs in 2024, equity markets were content to cement in their recent gains. Against this, commodity markets posted gains buoyed by a 2.0% rally in oil prices driven by an increase in attacks on oil companies and tankers in the Red Sea region. Bond yields were mixed with the 2-years 2bps lower at 4.45% and the 10-years 3bps higher at 3.95%, while the USD-index was flat with the NZD/USD and AUD/USD easing back from last night's highs.

Bring it on ... Like Donkey Kong!

In New Zealand, Q4 consumer confidence firmed to its highest level in 2-years at 88.9 from Q3's 80.2, while services PMI surged into expansionary territory at 51.2 from October's 49.2 although "the PSI remains below its long-term norm of 53.5."

In the US, the housing market index firmed from 34 to 37 in December, while the Ifo German business print highlighted the risk of a German recession remains high, not only for 2023 but for 2024, after the index fell from 87.2 to 86.4.

Chicago Fed member, Austin Goolsbee, confirmed he was, "Confused by the market's reaction, there seems to be some confusion as to how the FOMC actually works. I was surprised there was a perception that there was some contradiction between Powell and Williams ... there was no debate on cuts! We have seen a significant improvement on inflation, and

that has been reflected in the September projections." Meanwhile Chicago Fed President, Loretta Mester, suggested, "Markets a bit ahead of central bank on rate cuts, The next phase is not when to cut rates, even though that's where the markets are at. The next phase is about how long do we need monetary policy to remain restrictive."

In the Eurozone, ECB member, Peter Kazimir, confirmed, "A Policy mistake of premature easing would be more significant than the risk of staying tight for too long," while Yannis Stournaras added, "We need to see inflation sustainably below 3% by mid-year before cutting interest rates."

A former adviser to the PBoC, Yu Yongding, suggested the central bank should "trim its holdings of Treasuries – and balance trade by boosting imports – to limit exposure to US debt risks given the global appeal of US debt is waning due to the 'weaponization' of the dollar."

Yesterday Australia launched a new strategic materials fund unlocking up to AUD40bn in government support to help the economy transition to 'green' energy ... although reading the small print it appears to involve mining the likes of copper, nickel, aluminium, phosphorous, tin, and zinc!

Temperatures in parts of China have hit their lowest levels since records began with the government preparing an emergency response.



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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	71.90					CAD	0.8313	0.8976
NZD/USD	0.6210	0.0001	0.0001	-0.0001	-0.0010	CHF	0.5388	0.5818
NZD/AUD	0.9263	-0.0010	-0.0024	-0.0048	-0.0079	CNY	4.4261	4.7790
NZD/JPY	88.73	-0.50	-1.29	-2.50	-4.68	DKK	4.2353	4.5737
NZD/EUR	0.5684	-0.0008	-0.0021	-0.0045	-0.0106	FJD	1.3546	1.4629
NZD/GBP	0.4910	-0.0001	-0.0002	-0.0006	-0.0014	HKD	4.8390	5.2257
						KRW	808.90	873.54
AU TWI	61.90					MYR	2.9123	3.1450
AUD/USD	0.6703	0.0008	0.0019	0.0033	0.0046	NOK	6.4485	6.9637
AUD/NZD	1.0794	0.0010	0.0027	0.0053	0.0085	SEK	6.3374	6.8438
AUD/JPY	95.79	-0.44	-1.14	-2.24	-4.29	SGD	0.8270	0.8931
AUD/EUR	0.6134	-0.0003	-0.0007	-0.0018	-0.0060	TWD	19.48	21.03
AUD/GBP	0.5299	0.0004	0.0012	0.0021	0.0029	ZAR	11.54	12.46
USD Index	102.52					EQUITIES		
EUR/USD	1.0923	0.0016	0.0042	0.0083	0.0177		Index	
USD/JPY	142.91	-0.80	-2.10	-3.99	-7.28	NZX50	11,565	
GBP/USD	1.2646	0.0003	0.0007	0.0008	0.0009	ASX200	7,426	
EUR/GBP	0.8637	0.0010	0.0027	0.0057	0.0129	Dow Jones	37,310	
						S&P 500	4,744	
INTEREST RATES			New Zealand		Australia	FTSE100	7,614	
			Mid		Mid	DAX 30	16,651	
30 day bank bills			5.58%		4.30%	Nikkei	32,759	
90 day bank bills			5.63%		4.36%	COMMODITIES		
1 year swap			5.37%		4.20%		USD	
2 year swap			4.80%		4.02%	Brent Crude	78.47	
3 year swap			4.51%		3.92%	Gold	2,025.80	
5 year swap			4.30%		4.09%	Silver	23.77	
10 year swap			4.36%		4.36%	Iron Ore	135.08	
3 year Govt bond			4.56%		3.72%	CRB Index	302.20	
5 year Govt bond			4.40%		3.74%		NZD	
10 year Govt bond			4.53%		4.06%	NZ Carbon	70.25	

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