

# Market Alert

Friday 12 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6424	-0.0005
NZD/AUD	0.9050	-0.0027
NZD/JPY	85.50	-1.69
NZD/EUR	0.6228	-0.0096
NZD/GBP	0.5269	-0.0030
NZD/CNH	4.3319	-0.0303
AUD/USD	0.7097	0.0014
AUD/EUR	0.6880	-0.0087
EUR/USD	1.0312	0.0150
USD/CNH	6.7427	-0.0409
GBP/USD	1.2187	0.0057
EUR/GBP	0.8460	0.0081

  

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.85%
90 day bills	3.26%	2.32%
2 year swap	3.85%	3.47%
10 year Govt	3.50%	3.36%

## Negative outlooks for all

It was a relatively quiet session overnight with not much movement across most asset classes as we ease into the weekend.

China Construction Bank, however, may not be 'easing' into the weekend like the rest of us as Fitch Ratings placed the New Zealand branch on 'Rating watch negative', which is a negative outlook for the bank's New Zealand dollar debt.

This is essentially due to a regulatory change which means China Construction Bank is unable to provide guarantees to related parties, including entities under its control.

Over in the United States, producer prices unexpectedly fell 0.5% month-on-month in July. It is the first decline in the PPI in over two years and this fall is largely due to the 16.7% drop in gasoline prices. Also, the cost of diesel fuel, gas fuels, oilseeds, iron and steel scrap, and grains moved lower. This is in contrast to the cost of services, which increased slightly, in part attributable to a continually tight, but slightly easing labour market.

New jobless claims rose by 14,000 to 262,000 in the week ending 6 August, slightly less than market expectations of 263,000 but hitting the highest since November.

Chinese car sales increased 30% in July as it builds on its post COVID-19 recovery and less restrictive COVID-19 policies. The price of copper has also hit a six-week high, perhaps indicative of the recovery that appears to be occurring.

Markets were relatively muted overnight, however, we saw some USD weakness to kick things off, which saw the NZD and AUD up, along with US stocks and a

stronger Yen. The USD eventually made a round trip, clawing back most of its losses which meant everything else gave back the gains. US stocks ended largely flat, with the tech heavy NASDAQ ending negative. The NZD/USD and AUD/USD ended largely back where they were at the close of the Asian session yesterday, at 0.6425 and 0.7100 respectively. The US treasury yield curve was interesting, with the inversion narrowing to 35bp between the two year at 3.19% and the 10 year at 2.84%. The spread hit 58bp earlier this week following the US CPI release.

## Nothing like an Argentinian crisis to end the week

Mexico's central bank followed the big boys with a 75bp hike of its own overnight, taking its cash rate to 8.50% as it looks to combat inflation. However, that move pales in comparison to the 950bp hike by Argentina's central bank, which raised its cash rate to 69.50% following an 800bp hike two weeks ago.

Inflation is expected to hit 70% in the South American nation this year. This morning's hike was the biggest since 2019 ... nothing like a good Argentinian crisis to end the week.



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# Daily Rates

Friday 12 August 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.20					CAD	0.8204	0.9065
NZD/USD	0.6424	-0.0002	-0.0003	-0.0005	-0.0009	CHF	0.6051	0.6684
NZD/AUD	0.9050	-0.0006	-0.0016	-0.0027	-0.0030	CNY	4.3430	4.7996
NZD/JPY	85.50	-0.22	-0.71	-1.69	-3.54	DKK	4.6331	5.1184
NZD/EUR	0.6228	-0.0015	-0.0044	-0.0096	-0.0182	FJD	1.3765	1.5207
NZD/GBP	0.5269	-0.0005	-0.0014	-0.0030	-0.0054	HKD	5.0389	5.5667
						KRW	838.42	926.26
AU TWI	63.60					MYR	2.8542	3.1532
AUD/USD	0.6813	0.0003	0.0009	0.0014	0.0005	NOK	6.1226	6.7627
AUD/NZD	0.6535	0.0007	0.0017	0.0029	0.0026	SEK	6.4673	7.1455
AUD/JPY	94.46	-0.18	-0.63	-1.61	-3.62	SGD	0.8804	0.9726
AUD/EUR	0.6880	-0.0012	-0.0037	-0.0087	-0.0183	TWD	19.27	21.29
AUD/GBP	0.5822	-0.0001	-0.0006	-0.0017	-0.0044	ZAR	10.44	11.54
USD Index	105.17					<b>EQUITIES</b>		
EUR/USD	1.0312	0.0021	0.0068	0.0150	0.0284		<b>Index</b>	
USD/JPY	133.08	-0.31	-1.05	-2.53	-5.38	NZX50	11,760	
GBP/USD	1.2187	0.0007	0.0023	0.0057	0.0094	ASX200	7,071	
EUR/GBP	0.8460	0.0012	0.0037	0.0081	0.0161	Dow Jones	33,337	
						S&P 500	4,207	
<b>INTEREST RATES</b>						FTSE100	7,466	
		<b>New Zealand</b>		<b>Australia</b>		DAX 30	13,695	
		<b>Mid</b>		<b>Mid</b>		Nikkei	27,819	
30 day bank bills		2.97%		1.90%		<b>COMMODITIES</b>		
90 day bank bills		3.26%		2.32%			<b>USD</b>	
1 year swap		3.86%		3.25%		Brent Crude	99.26	
2 year swap		3.85%		3.47%		Gold	1,785.41	
3 year swap		3.73%		3.48%		Silver	20.26	
5 year swap		3.58%		3.41%		Iron Ore	109.63	
10 year swap		3.59%		3.59%		CRB Index	315.57	
3 year Govt bond		3.43%		3.03%			<b>NZD</b>	
5 year Govt bond		3.39%		3.15%		NZ Carbon	80.25	
10 year Govt bond		3.50%		3.36%				

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