

Market Alert

Monday 15 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%

Inflation peaking?

Following on from the surprise drop in US inflation to 'only' 8.5% for the year to July, from the decades high 9.1% in June, last week ended with investors moving back to a 'risk-on' bias and back into stocks on the view that inflation may have peaked, and that the Fed will be able to ease back its interest rate hiking just in time to avoid the US falling into recession.

This saw the S&P500 back at levels last seen in early May and up 18% from the June lows, while the tech heavy NASDAQ

is up nearly 23% from the June lows but still remains 16% short of its all-time high.

The US University of Michigan preliminary consumer sentiment index was better than expected, but mixed. While expectations saw a move up to 54.9, from 47.3, the current conditions eased to 55.5, from 58.1 last month. Inflation expectations were also mixed, with the 1 year expectations moving lower to 5.0%, from 5.2%, while the 5 year expectations ticked up to 3.0%, from 2.9% last month.

Richmond Fed President, Thomas Barkin, reiterated a number of Fed officials' sentiments, by saying that the Fed should "keep raising rates until it's clear inflation is running at its 2% target even if the economy weakens to avoid a policy mistake similar to the 1970s." He did not commit to a 50bps or 75bps hike at the September meeting, citing the inflation and employment reports yet to be released.

The NZD was the best performing currency over the week, with the NZD/USD touching a near two-month high of 0.6468, while the NZD/EUR reached 0.6292 and the NZD/GBP hit 0.5313, just short of its 12 month high. These moves came ahead of the RBNZ meeting this Wednesday, when it is widely expected to continue lifting the OCR via another 50bps hike.

The US 10 year Treasury bond continued to gyrate around the 2.80% area, closing

at 2.85%, while the US 2 year bond was at 3.25%, highlighting the stark curve inversion still in play.

The week ahead

It is going to be a busy week as other major economies inflation prints follow that of the US, which was lower than expected, while employment and spending indicators will either add or detract from the narrative of 'easing' inflationary pressures. A 50bps hike from the RBNZ on Wednesday is fully priced in.

The US FOMC meeting minutes will be taking centre stage this week as general sentiment and views on the current standing of the economy are shared. Markets will be looking for any indication as to whether another 75bps hike is on the table or whether signs of easing inflation have moderated the urgency. There is also retail sales and housing data.

Inflationary figures for the UK, Japan and Canada are due this week. It will be interesting to see whether other global economies follow the US with lower-than-expected inflation as we begin to see signs of key inflationary drivers easing. Elsewhere, employment in Australia and the UK will be closely watched as tight labour markets continue. Industrial production in China, and GDP growth for Japan rounds off the week.



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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	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					EQUITIES		
EUR/USD	1.0312	0.0021	0.0068	0.0150	0.0284		Index	
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	33,761	
						S&P 500	4,207	
						FTSE100	7,466	
						DAX 30	13,695	
						Nikkei	27,819	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		2.97%		1.90%		Brent Crude	99.26	
90 day bank bills		3.26%		2.32%		Gold	1,785.41	
1 year swap		3.86%		3.25%		Silver	20.26	
2 year swap		3.85%		3.47%		Iron Ore	109.63	
3 year swap		3.73%		3.48%		CRB Index	315.57	
5 year swap		3.58%		3.41%			NZD	
10 year swap		3.59%		3.59%		NZ Carbon	80.25	
3 year Govt bond		3.43%		3.03%				
5 year Govt bond		3.39%		3.15%				
10 year Govt bond		3.50%		3.36%				

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