

# Market Alert

Wednesday 24 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6208	-0.0005
NZD/AUD	0.8966	-0.0025
NZD/JPY	84.95	-1.73
NZD/EUR	0.6232	-0.0093
NZD/GBP	0.5250	-0.0022
NZD/CNH	4.2557	-0.0256
AUD/USD	0.6924	0.0013
AUD/EUR	0.6947	-0.0086
EUR/USD	0.9961	0.0143
USD/CNH	6.8535	-0.0398
GBP/USD	1.1823	0.0038
EUR/GBP	0.8424	0.0091

INT RATES	NZ	Australia
OCR/Cash	3.00%	1.85%
90 day bills	3.41%	2.43%
2 year swap	4.17%	3.70%
10 year Govt	3.88%	3.65%

## I'm out of the office for a day and what happens?

The EUR falls out of bed! And with the Eurozone importing inflation via a weaker currency, and with European gas prices continuing to surge, the 'inflation-situation' in the Euro-area is starting to look a little precarious!

And to some extent this was reflected in the Euro-area's consumer confidence numbers, yes, confidence rebounded, but it is still near record lows after the headline number improved 2.1 points

to -24.9 in August, but it was up from a record low of -27 in July. PMIs in the Eurozone also made for some fairly depressing reading suggesting the wider economy is heading towards a recession, if it's not already in one, after the S&P composite index headlined at 49.2, against forecasts of 49.2, as services fell to 50.2 while manufacturing PMIs remained in contractionary territory at 49.7. However, there is some reason for optimism as, in breaking news, Nord Stream announced it wouldn't be conducting its planned 3 day maintenance shutdown at month end.

This saw ECB executive board member, Fabio Panetta, state the obvious when he announced, "Recent economic developments should prompt prudence from the ECB. The probability of recession is increasing. A recession would mitigate inflation pressures. We may have to adjust monetary policy stance further."

The US data was pretty weak overnight as well after S&P manufacturing PMI fell to 51.3 in August from 52.2 in July, below forecasts of 52, to produce the weakest growth in factory activity since July 2020 amid muted demand and production cutbacks. Meanwhile, the service PMI fell to 44.1, which was the index's fastest contraction since May 2020, while the composite headlined at a modest 45.0. Meanwhile, US home sales plunged 12.6% on-the-month, to produce a seasonally adjusted annualised rate of 511,000 in July,

for its lowest reading since January 2016, while the Philly Fed non-manufacturing index firmed 0.1 to reach -3.7.

And the situation isn't getting any better in the UK after factory output contracted for the first time since February 2021 with output expectations declining to -2 after July's +6 print, while Citibank has forecast inflation will rise above 18% in 2023. Yep, 18%!

Australian weekly consumer confidence firmed 1.7% to reach 85.6, its highest level since early June, while the S&P/Markit PMI saw manufacturing ease to 54.5, services fall below 50 at 49.6, with the composite printing at 49.8.

The pessimistic PMI prints contributed to a weakening in sentiment, which weighed on US and EU equity markets, although it should be stated that commodity markets were broadly positive, which supported the NZD and the AUD in spite of the EUR weakness. Bond markets were also concerned about the potential future impact of inflation, with the 10-year US yield firming 5bps to 3.06%.

## RIP, Julian

Julian Robertson, billionaire founder of Tiger Management, billionaire mentor to the 'Tiger-cubs', billionaire philanthropist, and billionaire developer of Kauri Cliffs, has died age 90. RIP Julian... you definitely made the most of your life!



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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	71.20					CAD	0.8043	0.8971
NZD/USD	0.6208	-0.0003	-0.0002	-0.0005	-0.0012	CHF	0.5986	0.6678
NZD/AUD	0.8966	-0.0007	-0.0013	-0.0025	-0.0025	CNY	4.2591	4.7469
NZD/JPY	84.95	-0.24	-0.72	-1.73	-3.54	DKK	4.6343	5.1680
NZD/EUR	0.6232	-0.0016	-0.0043	-0.0093	-0.0168	FJD	1.3534	1.5093
NZD/GBP	0.5250	-0.0005	-0.0011	-0.0022	-0.0025	HKD	4.8718	5.4337
						KRW	831.85	927.68
AU TWI	63.00					MYR	2.7855	3.1068
AUD/USD	0.6813	0.0002	0.0007	0.0013	0.0003	NOK	6.0316	6.7271
AUD/NZD	0.6535	0.0005	0.0014	0.0025	0.0018	SEK	6.6015	7.3618
AUD/JPY	94.73	-0.19	-0.68	-1.69	-3.73	SGD	0.8648	0.9645
AUD/EUR	0.6947	-0.0012	-0.0038	-0.0086	-0.0175	TWD	18.74	20.90
AUD/GBP	0.5854	-0.0001	-0.0005	-0.0009	-0.0016	ZAR	10.57	11.78
USD Index	108.56					<b>EQUITIES</b>		
EUR/USD	0.9961	0.0020	0.0065	0.0143	0.0256		<b>Index</b>	
USD/JPY	136.84	-0.32	-1.12	-2.68	-5.66	NZX50	11,643	
GBP/USD	1.1823	0.0006	0.0020	0.0038	0.0023	ASX200	6,962	
EUR/GBP	0.8424	0.0013	0.0039	0.0091	0.0190	Dow Jones	32,934	
						S&P 500	4,134	
						FTSE100	7,488	
						DAX 30	13,194	
						Nikkei	28,453	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>				
		<b>Mid</b>		<b>Mid</b>				
30 day bank bills		3.06%		2.02%				
90 day bank bills		3.41%		2.43%				
1 year swap		4.08%		3.41%				
2 year swap		4.17%		3.70%				
3 year swap		4.09%		3.73%				
5 year swap		4.00%		3.72%				
10 year swap		4.01%		3.90%				
3 year Govt bond		3.77%		3.29%				
5 year Govt bond		3.76%		3.43%				
10 year Govt bond		3.88%		3.65%				
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	100.21	
						Gold	1,746.14	
						Silver	19.09	
						Iron Ore	105.52	
						CRB Index	317.19	
							<b>NZD</b>	
						NZ Carbon	86.05	

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