

Market Alert

Tuesday 9 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6283	-0.0007
NZD/AUD	0.8999	-0.0033
NZD/JPY	84.87	-1.71
NZD/EUR	0.6165	-0.0096
NZD/GBP	0.5201	-0.0033
NZD/CNH	4.2480	-0.0305
AUD/USD	0.6981	0.0018
AUD/EUR	0.6848	-0.0083
EUR/USD	1.0190	0.0151
USD/CNH	6.7607	-0.0445
GBP/USD	1.2079	0.0061
EUR/GBP	0.8436	0.0081

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.85%
90 day bills	3.32%	2.31%
2 year swap	3.81%	3.30%
10 year Govt	3.45%	3.28%

The false light of a new dawn

The New York Fed's monthly Consumer Expectations survey got analysts very excited, so excited in fact, that a few of them are even suggesting rate cuts could be on the agenda. Although, I do wish that those particular economists would stop smoking those funny smelling cigarettes. Yes, there is a positive in that consumer inflation expectations for the year ahead fell to 6.2% in July to reach its lowest level in 5-months, down from June's record 6.8% high, but come on,

we're still talking about inflation at 6.2% which is well above the Fed's 2.0% target! Breaking the data down, expectations fell sharply for the projected changes in the cost of gas and food, while the median household spending growth expectation fell for the second straight month to 6.9%. The three-year inflation expectations also eased back, declining to 3.2% from 3.6%. Meanwhile spending growth is expected to fall to 6.9% from 8.4% as consumers confirmed that it was getting hard to obtain credit.

Speaking of expectations, the RBNZ's very own survey of expectations, surprisingly, suggests the central bank will bring inflation down to 4.86% in 1 year and 3.07% in 2 years' time. They are also forecasting GDP growth at 1.49% in the next year, and 1.89% in the following year. Unemployment is expected to rise to 3.77% next year, an increase from the current unemployment rate of 3.3%. But that's irrelevant really because the RBNZ's target of making us all poorer, sorry, I mean making house prices affordable, is starting to work after the latest QV figures showed that the average house price dropped below the NZD1 million mark, to be down 4.9% in past 3 months.

Politically the world isn't getting any safer either after China announcing they will continue to conduct military exercises

around Taiwan, and Russia, shelling the local nuclear power plant in Ukraine. The UN secretary-general, Antonio Guterres, announced, *"after decades, the risk of a nuclear confrontation is back. Any attack on a nuclear plant is a suicidal thing."* However, there is some positive news, after it was reported Iran and the USA are close to reviving a nuclear deal – although it is unclear whether Iran will accept the final deal.

Credit Agricole's latest update on FX positioning amongst the G10 currencies after, *"the USD remains the biggest long in the G10 FX at present after fresh buying last week, while the AUD has moved to the biggest short following extra selling interest last week."*

Failure to follow through

As you can see from the headlines above, there really wasn't a great deal of interest in financial markets ahead of Thursday's US inflation print. International equity markets made very modest gains, as did commodity markets, where crude and Brent firmed a touch to USD90.75 and USD96.25, respectively.

There was some 'excitement' in the bond markets where US and German 10-year bonds eased back 8 and 7 pips to yield 2.76% and 0.89%. Meanwhile the NZD and AUD made solid gains.



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Daily Rates

Tuesday 9 August 2022

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	71.10					CAD	0.8080
NZD/USD	0.6283	-0.0002	-0.0003	-0.0007	-0.0010	CHF	0.6006
NZD/AUD	0.8999	-0.0007	-0.0018	-0.0033	-0.0043	CNY	4.2499
NZD/JPY	84.87	-0.22	-0.71	-1.71	-3.55	DKK	4.5866
NZD/EUR	0.6165	-0.0016	-0.0045	-0.0096	-0.0184	FJD	1.3605
NZD/GBP	0.5201	-0.0005	-0.0014	-0.0033	-0.0059	HKD	4.9321
						KRW	816.64
AU TWI	62.70					MYR	2.8003
AUD/USD	0.6813	0.0004	0.0010	0.0018	0.0009	NOK	6.1183
AUD/NZD	0.6535	0.0007	0.0020	0.0038	0.0035	SEK	6.3861
AUD/JPY	94.30	-0.17	-0.61	-1.57	-3.55	SGD	0.8662
AUD/EUR	0.6848	-0.0012	-0.0036	-0.0083	-0.0179	TWD	18.86
AUD/GBP	0.5779	-0.0001	-0.0004	-0.0016	-0.0042	ZAR	10.44
USD Index	106.44					EQUITIES	
EUR/USD	1.0190	0.0023	0.0068	0.0151	0.0283		Index
USD/JPY	135.07	-0.32	-1.06	-2.58	-5.46	NZX50	11,703
GBP/USD	1.2079	0.0008	0.0025	0.0061	0.0098	ASX200	7,021
EUR/GBP	0.8436	0.0013	0.0038	0.0081	0.0159	Dow Jones	32,844
						S&P 500	4,142
INTEREST		New Zealand		Australia		FTSE100	7,482
RATES		Mid		Mid		DAX 30	13,688
30 day bank bills			2.97%		1.87%	Nikkei	28,249
90 day bank bills			3.32%		2.31%	COMMODITIES	
1 year swap			3.83%		3.24%		USD
2 year swap			3.81%		3.30%	Brent Crude	96.32
3 year swap			3.69%		3.29%	Gold	1,788.38
5 year swap			3.54%		3.27%	Silver	20.62
10 year swap			3.53%		3.46%	Iron Ore	109.20
3 year Govt bond			3.37%		2.95%	CRB Index	301.33
5 year Govt bond			3.34%		3.07%		NZD
10 year Govt bond			3.45%		3.28%	NZ Carbon	79.85

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