

# Market Alert

Thursday 1 September 2022

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6119 | -0.0001 |
| NZD/AUD    | 0.8937 | -0.0024 |
| NZD/JPY    | 84.96  | -1.68   |
| NZD/EUR    | 0.6091 | -0.0079 |
| NZD/GBP    | 0.5268 | -0.0019 |
| NZD/CNH    | 4.2248 | -0.0257 |
| AUD/USD    | 0.6845 | 0.0017  |
| AUD/EUR    | 0.6812 | -0.0071 |
| EUR/USD    | 1.0044 | 0.0126  |
| USD/CNH    | 6.9037 | -0.0399 |
| GBP/USD    | 1.1610 | 0.0034  |
| EUR/GBP    | 0.8650 | 0.0080  |

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 3.00% | 1.85%     |
| 90 day bills | 3.49% | 2.51%     |
| 2 year swap  | 4.30% | 3.65%     |
| 10 year Govt | 4.04% | 3.67%     |

## Pinch, punch, 1st of the month!

Although, what's different this time, is the Federal Reserve starts its USD95 billion of quantitative tightening every month! It'll be interesting to see where the US 10 Year T-bond closes at the September month-end!

This may give you a clue as to which way bond yields are moving, after yesterday's strong German inflation print, Euro-zone inflation also outperformed to the topside reaching 9.1% in August, above market forecasts of 9.0% and July's 8.9%. Predominantly driven by, yep, you guessed

it, rising energy and food costs. Core inflation rose to 4.3% from 4.0%.

Ahead of tomorrow night's non-farm payrolls, the US ADP release showed private companies hired 132,000 workers in August, which was its 'lowest increase' since early 2021 and below forecasts of 300,000. Although, the ADP have revamped how it reports numbers which may have contributed to the poor headline number. The release also showed annual pay growth stabilized at 7.6% while Chicago PMIs flatlined at 52.2, up from 52.1

Just in case anyone doubted the Fed's determination to stamp out inflation, Cleveland President, Loretta Mester, was explicit stating, "my current view is to move the fed funds rate up to somewhat above 4.0% by early next year and hold it there. I do not anticipate the Fed cutting the fed funds rate target next year. Even if the economy were to go into a recession, we have to get inflation down."

Here's another reason why all those super-charged equity investors should tread carefully ... Morgan Stanley has just released a note stating, "the biggest risk for stocks is not the Federal Reserve ... earnings are the bigger risk from here. Equity investors should be laser focused on this risk, particularly as we enter the seasonally weakest time of the year for earnings revisions as inflation further eats into margins and demand."

I'm not sure whether this is good news or not, but New Zealand business confidence rebounded in August! Rising to -47.8% from -56.7%, while the own activity index firmed to -4.0% from -8.9%. Building permits also increased 5.0% in July from -2.3%.

Australian Q2 construction work contracted 3.8%, against an expected increase of 0.9%, while July private sector credit increased 0.7%.

Chinese August manufacturing PMIs remained in contractionary territory at 49.4 while non-manufacturing printed at 52.6, against expectations of 49.2 and 52.2. The composite printed at 51.7, which was down on July's 52.5 and probably why ANZ announced, "GDP growth will likely dip below 3.0% in Q3." Meanwhile, the CCP have confirmed that leadership congress will begin on 16 October where the party will conduct an in-depth analysis of "the international and domestic situation, review the past five years, and push forward with its common prosperity strategy aimed at narrowing the nation's wealth gap".

The trend is your friend ... and the trend for equities is in play with international bourses down 1.0% to 1.5%! Commodities were also weak, the T-bond yield added 5bps to reach 3.15%, while the NZD and AUD are trading on their overnight lows. Surprisingly, the EUR put in a strong performance and will close the session above parity.



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# Daily Rates

Thursday 1 September 2022

| FX                    | Spot   | FECs (mid) |                    |         |                  | Spot Mid           |              |        |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
|                       | Mid    | 1mth       | 3mths              | 6mths   | 12mths           | NZD/...            | AUD/...      |        |
| NZ TWI                | 70.80  |            |                    |         |                  | CAD                | 0.8027       | 0.8985 |
| NZD/USD               | 0.6119 | 0.0000     | -0.0002            | -0.0001 | -0.0004          | CHF                | 0.5982       | 0.6696 |
| NZD/AUD               | 0.8937 | -0.0005    | -0.0014            | -0.0024 | -0.0035          | CNY                | 4.2246       | 4.7254 |
| NZD/JPY               | 84.96  | -0.22      | -0.73              | -1.68   | -3.69            | DKK                | 4.5291       | 5.0673 |
| NZD/EUR               | 0.6091 | -0.0013    | -0.0039            | -0.0079 | -0.0149          | FJD                | 1.3571       | 1.5184 |
| NZD/GBP               | 0.5268 | -0.0004    | -0.0011            | -0.0019 | -0.0023          | HKD                | 4.8021       | 5.3728 |
|                       |        |            |                    |         |                  | KRW                | 820.66       | 918.18 |
| AU TWI                | 63.30  |            |                    |         |                  | MYR                | 2.7376       | 3.0625 |
| AUD/USD               | 0.6813 | 0.0003     | 0.0009             | 0.0017  | 0.0013           | NOK                | 6.0792       | 6.8015 |
| AUD/NZD               | 0.6535 | 0.0005     | 0.0015             | 0.0026  | 0.0033           | SEK                | 6.5215       | 7.2964 |
| AUD/JPY               | 95.06  | -0.20      | -0.68              | -1.64   | -3.77            | SGD                | 0.8546       | 0.9561 |
| AUD/EUR               | 0.6812 | -0.0011    | -0.0033            | -0.0071 | -0.0138          | TWD                | 18.59        | 20.80  |
| AUD/GBP               | 0.5894 | -0.0001    | -0.0003            | -0.0004 | -0.0001          | ZAR                | 10.47        | 11.71  |
| USD Index             | 108.73 |            |                    |         |                  | <b>EQUITIES</b>    |              |        |
| EUR/USD               | 1.0044 | 0.0020     | 0.0060             | 0.0126  | 0.0226           |                    | <b>Index</b> |        |
| USD/JPY               | 138.85 | -0.35      | -1.16              | -2.72   | -5.95            | NZX50              | 11,601       |        |
| GBP/USD               | 1.1610 | 0.0007     | 0.0019             | 0.0034  | 0.0018           | ASX200             | 6,987        |        |
| EUR/GBP               | 0.8650 | 0.0012     | 0.0037             | 0.0080  | 0.0174           | Dow Jones          | 31,651       |        |
|                       |        |            |                    |         |                  | S&P 500            | 3,968        |        |
|                       |        |            |                    |         |                  | FTSE100            | 7,284        |        |
|                       |        |            |                    |         |                  | DAX 30             | 12,835       |        |
|                       |        |            |                    |         |                  | Nikkei             | 28,092       |        |
| <b>INTEREST RATES</b> |        |            | <b>New Zealand</b> |         | <b>Australia</b> |                    |              |        |
|                       |        |            | <b>Mid</b>         |         | <b>Mid</b>       |                    |              |        |
| 30 day bank bills     |        |            | 3.10%              |         | 2.09%            |                    |              |        |
| 90 day bank bills     |        |            | 3.49%              |         | 2.51%            |                    |              |        |
| 1 year swap           |        |            | 4.16%              |         | 3.39%            |                    |              |        |
| 2 year swap           |        |            | 4.30%              |         | 3.65%            |                    |              |        |
| 3 year swap           |        |            | 4.25%              |         | 3.67%            |                    |              |        |
| 5 year swap           |        |            | 4.12%              |         | 3.66%            |                    |              |        |
| 10 year swap          |        |            | 4.10%              |         | 3.89%            |                    |              |        |
| 3 year Govt bond      |        |            | 3.89%              |         | 3.24%            |                    |              |        |
| 5 year Govt bond      |        |            | 3.90%              |         | 3.40%            |                    |              |        |
| 10 year Govt bond     |        |            | 4.04%              |         | 3.67%            |                    |              |        |
|                       |        |            |                    |         |                  | <b>COMMODITIES</b> |              |        |
|                       |        |            |                    |         |                  |                    | <b>USD</b>   |        |
|                       |        |            |                    |         |                  | Brent Crude        | 96.50        |        |
|                       |        |            |                    |         |                  | Gold               | 1,709.60     |        |
|                       |        |            |                    |         |                  | Silver             | 17.98        |        |
|                       |        |            |                    |         |                  | Iron Ore           | 104.92       |        |
|                       |        |            |                    |         |                  | CRB Index          | 311.06       |        |
|                       |        |            |                    |         |                  |                    | <b>NZD</b>   |        |
|                       |        |            |                    |         |                  | NZ Carbon          | 86.80        |        |

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