

Market Alert

Monday 12 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6069	0.0002
NZD/AUD	0.8900	-0.0029
NZD/JPY	87.03	-1.74
NZD/EUR	0.6073	-0.0075
NZD/GBP	0.5213	-0.0015
NZD/CNH	4.2075	0.0000
AUD/USD	0.6815	0.0024
AUD/EUR	0.6757	-0.0063
EUR/USD	1.0084	0.0126
USD/CNH	6.9347	0.0000
GBP/USD	1.1636	0.0037
EUR/GBP	0.8667	0.0079

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.58%	2.66%
2 year swap	4.17%	3.50%
10 year Govt	4.01%	3.64%

The first positive week in a while

Equity markets continued their recovery into the weekend to finally close in positive territory and snap a 3 week losing streak as investors looked past inflationary concerns. Unfortunately, commodity prices also trended in the same direction, with oil up over 3.0% on the Friday session, propelled by expectations of cuts to supply. Meanwhile, the US dollar, after extending to new highs in the early half of the week, fell sharply as we approached the weekend after Japanese

officials ramped up their intervention rhetoric. There is also a growing belief the ECB will deliver another 75bp hike next month, following last week's hike. This saw the NZD and AUD stage mini rallies, although both remain near their recent lows against the USD, with the NZD/AUD opening at 0.8910.

We also had a couple of Fed speakers on the newswires with Esther George announcing, "when job vacancies come down, you tend to see unemployment rate rising. There is strong resolve to bring inflation back to target. We would like to see a soft landing, but there could be a more difficult path to bring inflation under control." While Christopher Waller added, "Inflation is far too high, (and while) fears of a recession have faded; the robust US labour market is giving us the flexibility to be aggressive in our fight against inflation. I expect that getting inflation to fall meaningfully and persistently toward our 2.0% target will require hikes 'until at least early next year.'"

And right on cue, the Atlanta Fed GDPNow estimate was downgraded to 1.3%, from 1.4%.

ECB joins the inflation fight

Last week saw a number of ECB speakers, with Francois Villeroy de Galhau stating, "Inflation should be back to around 2.0% by 2024. Our hands are 'completely free' on

our next policy move." Peter Kazimir then added, "Euro-zone inflation is 'unacceptably high'. The 75bps rate hike was inevitable and right," while Klaas Knot added, "We expect inflation to keep rising in the coming months, so that means we only have one problem on our plate: Curbing the dynamic in inflation is our only concern!" Finally, Bundesbank President, Joachim Nagel, was explicit stating, "Thursday's step was a clear sign and if the inflation picture stays the same, further clear steps must follow." European media has reported, citing an 'ECB insider', the central bank is more likely to hike 50bps than 75bps in October.

At the peripheral, the BoE has postponed its September policy meeting by one week while the RBA Governor, Philip Lowe, provided a clear hint that the RBA may be about to slow the pace of rate hikes but 'there is no pre-set path'. In terms of data releases, Australian skilled job advertisements rose to a 14 year high at 2.6%, while New Zealand August retail card spending increased 0.9%.

The week ahead will be dominated by inflation releases from the US, Euro-zone, and UK, while we also have US retail sales and the University of Michigan sentiment index. We also have the UK GDP figures while China will be releasing industrial production, retail sales, and investment growth data for August.



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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	70.70					CAD	0.7906	0.8906
NZD/USD	0.6069	0.0000	-0.0001	0.0002	0.0001	CHF	0.5826	0.6528
NZD/AUD	0.8900	-0.0005	-0.0016	-0.0029	-0.0046	CNY	4.2275	4.7361
NZD/JPY	87.03	-0.23	-0.77	-1.74	-3.69	DKK	4.4923	5.0445
NZD/EUR	0.6073	-0.0012	-0.0037	-0.0075	-0.0137	FJD	1.3300	1.4935
NZD/GBP	0.5213	-0.0004	-0.0010	-0.0015	-0.0015	HKD	4.7634	5.3490
						KRW	837.38	940.31
AU TWI	63.10					MYR	2.7286	3.0640
AUD/USD	0.6813	0.0003	0.0011	0.0024	0.0029	NOK	5.9696	6.7034
AUD/NZD	0.6535	0.0005	0.0018	0.0034	0.0051	SEK	6.4049	7.1921
AUD/JPY	97.55	-0.21	-0.71	-1.65	-3.68	SGD	0.8487	0.9530
AUD/EUR	0.6757	-0.0010	-0.0031	-0.0063	-0.0120	TWD	18.73	21.03
AUD/GBP	0.5854	-0.0001	-0.0001	0.0001	0.0013	ZAR	10.50	11.79
USD Index	108.97					EQUITIES		
EUR/USD	1.0084	0.0020	0.0061	0.0126	0.0227		Index	
USD/JPY	142.52	-0.38	-1.26	-2.92	-6.16	NZX50	11,758	
GBP/USD	1.1636	0.0008	0.0020	0.0037	0.0028	ASX200	6,894	
EUR/GBP	0.8667	0.0011	0.0037	0.0079	0.0165	Dow Jones	32,152	
						S&P 500	4,067	
						FTSE100	7,351	
						DAX 30	13,088	
						Nikkei	28,215	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.21%		2.37%			
90 day bank bills			3.58%		2.66%			
1 year swap			4.13%		3.34%			
2 year swap			4.17%		3.50%			
3 year swap			4.13%		3.49%			
5 year swap			4.05%		3.59%			
10 year swap			4.09%		3.91%			
3 year Govt bond			3.85%		3.17%			
5 year Govt bond			3.88%		3.32%			
10 year Govt bond			4.01%		3.64%			
						COMMODITIES		
							USD	
						Brent Crude	92.84	
						Gold	1,716.05	
						Silver	18.78	
						Iron Ore	100.21	
						CRB Index	304.55	
							NZD	
						NZ Carbon	85.50	

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