

Market Alert

Wednesday 21 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5901	0.0008
NZD/AUD	0.8810	-0.0024
NZD/JPY	84.76	-1.78
NZD/EUR	0.5913	-0.0072
NZD/GBP	0.5181	-0.0013
NZD/CNH	4.1479	-0.0230
AUD/USD	0.6697	0.0027
AUD/EUR	0.6710	-0.0065
EUR/USD	0.9976	0.0135
USD/CNH	7.0302	-0.0485
GBP/USD	1.1386	0.0043
EUR/GBP	0.8761	0.0084

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.72%	2.92%
2 year swap	4.39%	3.80%
10 year Govt	4.05%	3.70%

Houston, we have inflation

The last one to the inflation party, Japan, has finally arrived as headline inflation hit 3.00% for the first time since 2014, when a sales tax was implemented. Ignoring that, because let's face it, inflation from a tax is kind of cheating in the inflation world, Japanese inflation has hit its highest level since 1991. The result beat forecasts of 2.80% and was well up on July's 2.60%.

Nationwide core CPI, which excludes volatile fresh food but includes fuel

came in at 2.80%, was slightly higher than forecast for a 2.70% increase and followed a 2.40% gain in July.

The BoJ has a crucial meeting tomorrow to set monetary policy, a few hours after the Fed. The market is likely to still be digesting the Fed statement, and no change is expected from the BoJ, so it could be a non-event. However, with the fact that inflation has been above its target for three months straight, and the Ministry of Finance has been making noise about the dramatic weakening of the Yen recently, the BoJ could surprise the market. The market is certainly starting to take a side, with the 20-year JGB rising to its highest level since 2016 at 0.96%.

In other central bank action, the RBA's minutes showed the bank discussed *"the arguments around raising interest rates by either 25 basis points or 50 basis points."* The board thought interest rates *"were getting closer to normal settings,"* but in the end decided to go another 50. *"Given the importance of returning inflation to target, the potential damage to the economy from persistent high inflation and the still relatively low level of the cash rate, the Board decided to increase the cash rate by a further 50 basis points."* Expect more rate hikes was the key takeaway from the minutes.

Fresh off the 'stating the obvious' desk is a comment from World Bank Group

President, David Malpass, that the global economic slowdown may persist well in 2023. With interest rate hikes continuing, even we could have worked that one out! At least Ravi Menon, managing director of the Monetary Authority of Singapore, gave a bit more detail about the four key uncertainties the global economy faces next year, those being the severity of the downturn, inflation's trajectory in the medium term, the impact of geopolitics on markets, and climate risk on portfolios.

Overnight the GDT auction came in with an overall index increase of 2.00%, lower than the previous 4.90%. Whole milk powder and anhydrous milk fat increasing 3.70% and 4.00% respectively, while skim milk decreased 0.70%.

The risk of tone in markets is as prevalent as ever, with the US dollar going from strength to strength, equities tumbling and yields up, notably US 10-year back above 3.50%. US dollar strength has driven the NZD below 0.5900 and the AUD below 0.6700, rates not seen since the onset of COVID-19 in 2020. If it all seems oddly familiar, it's because we've been here before, albeit without the added lockdown uncertainty!



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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	69.50					CAD	0.7882	0.8943
NZD/USD	0.5901	0.0000	0.0002	0.0008	0.0019	CHF	0.5687	0.6453
NZD/AUD	0.8810	-0.0005	-0.0013	-0.0024	-0.0037	CNY	4.1391	4.6946
NZD/JPY	84.76	-0.27	-0.79	-1.78	-3.78	DKK	4.3975	4.9901
NZD/EUR	0.5913	-0.0014	-0.0038	-0.0072	-0.0126	FJD	1.3140	1.4912
NZD/GBP	0.5181	-0.0004	-0.0009	-0.0013	-0.0008	HKD	4.6320	5.2569
						KRW	822.25	933.02
AU TWI	62.70					MYR	2.6885	3.0512
AUD/USD	0.6813	0.0004	0.0011	0.0027	0.0039	NOK	6.0897	6.9112
AUD/NZD	0.6535	0.0005	0.0013	0.0027	0.0036	SEK	6.4180	7.2838
AUD/JPY	96.18	-0.25	-0.77	-1.78	-3.93	SGD	0.8317	0.9439
AUD/EUR	0.6710	-0.0012	-0.0033	-0.0065	-0.0117	TWD	18.50	20.99
AUD/GBP	0.5880	-0.0002	-0.0002	0.0000	0.0014	ZAR	10.43	11.84
USD Index	110.15					EQUITIES		
EUR/USD	0.9976	0.0023	0.0066	0.0135	0.0234		Index	
USD/JPY	143.64	-0.44	-1.38	-3.21	-6.77	NZX50	11,570	
GBP/USD	1.1386	0.0009	0.0022	0.0043	0.0041	ASX200	6,806	
EUR/GBP	0.8761	0.0013	0.0039	0.0084	0.0174	Dow Jones	30,771	
						S&P 500	3,859	
INTEREST RATES		New Zealand		Australia		FTSE100	7,193	
		Mid		Mid		DAX 30	12,671	
30 day bank bills		3.36%		2.55%		Nikkei	27,688	
90 day bank bills		3.72%		2.92%		COMMODITIES		
1 year swap		4.34%		3.64%			USD	
2 year swap		4.39%		3.80%		Brent Crude	90.87	
3 year swap		4.30%		3.78%		Gold	1,665.39	
5 year swap		4.15%		3.74%		Silver	19.26	
10 year swap		4.10%		3.98%		Iron Ore	98.99	
3 year Govt bond		3.97%		3.37%		CRB Index	299.92	
5 year Govt bond		3.96%		3.49%			NZD	
10 year Govt bond		4.05%		3.70%		NZ Carbon	82.70	

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