

Market Alert

Thursday 20 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5664	0.0004
NZD/AUD	0.9040	-0.0056
NZD/JPY	84.87	-2.06
NZD/EUR	0.5795	-0.0079
NZD/GBP	0.5053	-0.0015
NZD/CNH	4.1176	-0.0465
AUD/USD	0.6263	0.0043
AUD/EUR	0.6408	-0.0049
EUR/USD	0.9770	0.0140
USD/CNH	7.2716	-0.0877
GBP/USD	1.1206	0.0037
EUR/GBP	0.8716	0.0093

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.16%	3.01%
2 year swap	5.29%	4.10%
10 year Govt	4.75%	4.06%

I am not sure if this is a Shakespearean comedy, or a tragedy!

But the debacle that is UK politics' rambles on!

First up, UK annual inflation rose to 10.1% in September from August's 9.9%, reaching a new 40-year high and surpassing expectations of 10%. Unsurprisingly, the largest contribution to the increase was from the price of food and that's not even considering the levy on emissions. The house of cards that is Liz Truss's UK government is on the brink of collapse, yet again, after the UK Chief whip, Wendy Morton, and the Home Secretary, Suella Braverman, resigned.

Meanwhile, Sir Jon Cunliffe, Deputy Governor for Financial Stability at the BoE, attempted to calm the markets announcing, "The big LDI (liability driven investment) funds have got to a point where on average they could absorb a 200 basis point rise in yields. The LDI episode is mostly behind us. Financial markets will have to adjust to government fiscal policies." This saw the 10-year UK gilt fall 7 pips to yield 3.87%.

The Federal Reserve's beige book highlighted the state of the US economy ... some of it's good, some of it's okay, and some of it's on shaky ground. Economic activity expanded modestly, however conditions varied across industries and districts. Four districts noted activity was flat, while two cited declines due to higher interest rates, inflation, and supply disruptions. Retail spending was relatively flat while employment continued to rise at a modest pace, although businesses were hesitant to add to payrolls amid increased concerns of an economic downturn. Price growth remained elevated.

We also saw the release of some 2nd tier US data which highlighted the weakening outlook for the housing market after housing starts slumped 8.1% while mortgage applications fell for the fourth consecutive week, contracting 4.5% as the 30-year mortgage rate hit 6.94% for the first time since 2002. Minneapolis Fed President Neel Kashkari then touched on this when he stated, "We're seeing little evidence of a labour market softening while surging mortgage costs

having profound impact on housing sector. It is possible headline inflation has peaked, although we do not see any evidence that core inflation has peaked. The mixed signals make it hard to get firm read on economy."

Which hasn't helped markets!

There is little comfort from bond markets after the T-bond reach 4.12% for the first time since October 2008. Elsewhere, the Germany 10-year Bund yield rose to 2.37%, its highest level since August 2011, after the IMF announced it expects the Euro area to grow at the weakest pace since 2001, while the Eurozone's final September CPI print was confirmed at 9.9% against the preliminary 10.0% estimate.

Once again equities were a sea of red, which contributed to the general feeling of doom, although commodity markets were mixed with energy products firming while metals weakened. The US-dollar index rallied another percent as it approached the 113.00 level, which saw the AUD weaken 0.75%, although the NZD remained steady as the market continue to absorb the implications of Tuesday's CPI print, which as also supported NZD/AUD which has firmed to 0.9040 This rebound has been supported by the out-performance in NZD swap pricing, with pricing 9-13 pips higher, while the AUD pricing is 5-6 pips higher.



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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	68.50					CAD	0.7802	0.8626
NZD/USD	0.5664	0.0001	0.0004	0.0004	0.0000	CHF	0.5691	0.6295
NZD/AUD	0.9040	-0.0004	-0.0025	-0.0056	-0.0101	CNY	4.0980	4.5346
NZD/JPY	84.87	-0.25	-0.99	-2.06	-4.47	DKK	4.3112	4.7671
NZD/EUR	0.5795	-0.0011	-0.0042	-0.0079	-0.0153	FJD	1.3129	1.4518
NZD/GBP	0.5053	-0.0002	-0.0010	-0.0015	-0.0021	HKD	4.4462	4.9164
						KRW	813.04	899.03
AU TWI	60.30					MYR	2.6723	2.9549
AUD/USD	0.6813	0.0005	0.0021	0.0043	0.0061	NOK	6.0181	6.6546
AUD/NZD	0.6535	0.0004	0.0028	0.0064	0.0111	SEK	6.3505	7.0221
AUD/JPY	93.86	-0.24	-0.85	-1.72	-3.96	SGD	0.8071	0.8925
AUD/EUR	0.6408	-0.0009	-0.0030	-0.0049	-0.0101	TWD	18.19	20.11
AUD/GBP	0.5587	0.0000	0.0004	0.0018	0.0038	ZAR	10.37	11.47
USD Index	112.97					EQUITIES		
EUR/USD	0.9770	0.0021	0.0077	0.0140	0.0249		Index	
USD/JPY	149.87	-0.49	-1.85	-3.75	-7.86	NZX50	10,917	
GBP/USD	1.1206	0.0007	0.0028	0.0037	0.0037	ASX200	6,800	
EUR/GBP	0.8716	0.0012	0.0046	0.0093	0.0194	Dow Jones	30,332	
						S&P 500	3,682	
						FTSE100	6,925	
						DAX 30	12,741	
						Nikkei	27,257	
						COMMODITIES		
							USD	
						Brent Crude	91.75	
						Gold	1,628.60	
						Silver	18.43	
						Iron Ore	95.21	
						CRB Index	291.93	
							NZD	
						NZ Carbon	80.67	
INTEREST RATES		New Zealand		Australia				
		Mid		Mid				
30 day bank bills		3.67%		2.79%				
90 day bank bills		4.16%		3.01%				
1 year swap		5.23%		3.80%				
2 year swap		5.29%		4.10%				
3 year swap		5.18%		4.13%				
5 year swap		5.01%		4.17%				
10 year swap		4.91%		4.42%				
3 year Govt bond		4.75%		3.55%				
5 year Govt bond		4.72%		3.74%				
10 year Govt bond		4.75%		4.06%				

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