

Market Alert

Wednesday 5 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5727	0.0011
NZD/AUD	0.8828	-0.0036
NZD/JPY	82.50	-1.76
NZD/EUR	0.5733	-0.0071
NZD/GBP	0.4993	-0.0001
NZD/CNH	4.0767	-0.0166
AUD/USD	0.6485	0.0037
AUD/EUR	0.6491	-0.0055
EUR/USD	0.9986	0.0140
USD/CNH	7.0379	-0.0416
GBP/USD	1.1468	0.0016
EUR/GBP	0.8707	0.0105

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.90%	3.14%
2 year swap	4.60%	3.58%
10 year Govt	4.25%	3.76%

RBA blinks

The RBA played against the trend raising the Australian cash rate by 'just' 25bps to 2.60%. This was against forecasters who had been calling for a 50bps hike. The move followed a 50bps hike each in the prior 4 months and a 25bps rise in May and, given the cash rate had been raised significantly in a short period of time, the RBA thought it prudent to slow the pace of increases. Salient points from the statement were, "Further increases are likely to be required over the period ahead. A further increase in inflation is expected over the months ahead before declining back towards the 2-3% range. Medium-term

inflation expectations remain well anchored, and it is important that this remains the case. Given the tight labour market and the upstream price pressures, the board will continue to pay close attention to both the evolution of labour costs and the price-setting behaviour of firms in the period ahead. With global economic uncertainty lingering, the Board is closely monitoring the global economy, household spending, and wage and price-setting behaviour. The size and timing of future interest rate increases will continue to be determined by the incoming data and the outlook for inflation and the labour market."

On the data front, in September Australian job ads fell -0.50% from August's 1.50% gain, home loans fell -2.70% which was better than the expected -3.50% contraction, while building permits increased 28.10% when a modest 5.0% increase had been expected. On a positive note, Australian September manufacturing PMIs increased to 50.2 from August's 49.3.

But what does it all mean for the RBNZ this afternoon?

Well, the NZ data isn't good! Last night's GDT auction took a surprising turn falling -3.5% with butter off -7.0%, while WMP and SMP fell -4.0% and -1.6%. Furthermore, the NZIER QSBO report highlighted that while business confidence had risen from its prior -65, it remained truly awful at -42%. It was

a similar story for capacity utilisation which increased to 94.5% up from Q2's 93.4%. I suspect Mr. Orr will follow through with the 50bps hike, but the markets will be searching the statement for a softening in rhetoric.

I would not expect the Fed to give in to the idea that 'inflation has been beaten' anytime soon after Mary Daley stated, "Inflation is causing pain economy for many Americans. We have a lot of work we can do to bring down demand" while new member Jefferson added, "We have acted boldly and are committed to taking further steps. Restoring price stability may take some time, will likely entail a period of below-trend growth." Finally, ECB Chair Ms. Lagarde announced, "At a minimum, we have to stop stimulating demand. It's difficult to say if inflation is at a peak."

Equity markets continued their strong start to Q4 with gains of 2.5%-3.5%. Commodity markets also made steady gains with the OPEC+ rumours all but confirmed and expected to be formally announced in the next day or so. This saw oil prices add top yesterday's 5.0% gain with a further 3.35% rally today. The AUD gave up -0.5% on the RBA announcement while the NZD and T-bond flatlined.



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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	68.00					CAD	0.7740	0.8766
NZD/USD	0.5727	0.0000	0.0003	0.0011	0.0006	CHF	0.5610	0.6354
NZD/AUD	0.8828	-0.0005	-0.0019	-0.0036	-0.0067	CNY	4.0682	4.6209
NZD/JPY	82.50	-0.25	-0.88	-1.76	-3.76	DKK	4.2645	4.8289
NZD/EUR	0.5733	-0.0012	-0.0042	-0.0071	-0.0133	FJD	1.2945	1.4659
NZD/GBP	0.4993	-0.0004	-0.0009	-0.0001	0.0017	HKD	4.4956	5.0906
						KRW	812.58	920.13
AU TWI	61.30					MYR	2.6590	3.0110
AUD/USD	0.6813	0.0004	0.0017	0.0037	0.0053	NOK	5.9915	6.7845
AUD/NZD	0.6535	0.0004	0.0019	0.0041	0.0068	SEK	6.2179	7.0409
AUD/JPY	93.43	-0.24	-0.80	-1.63	-3.61	SGD	0.8150	0.9228
AUD/EUR	0.6491	-0.0011	-0.0034	-0.0055	-0.0107	TWD	18.11	20.51
AUD/GBP	0.5654	-0.0002	0.0002	0.0021	0.0060	ZAR	10.09	11.43
USD Index	110.17					EQUITIES		
EUR/USD	0.9986	0.0022	0.0077	0.0140	0.0249		Index	
USD/JPY	144.08	-0.44	-1.61	-3.33	-6.92	NZX50	11,090	
GBP/USD	1.1468	0.0008	0.0024	0.0016	-0.0019	ASX200	6,699	
EUR/GBP	0.8707	0.0012	0.0047	0.0105	0.0234	Dow Jones	30,248	
						S&P 500	3,775	
INTEREST		New Zealand		Australia		FTSE100	7,086	
RATES		Mid		Mid		DAX 30	12,670	
30 day bank bills		3.55%		2.86%		Nikkei	26,992	
90 day bank bills		3.90%		3.14%		COMMODITIES		
1 year swap		4.56%		3.41%			USD	
2 year swap		4.60%		3.58%		Brent Crude	91.65	
3 year swap		4.51%		3.65%		Gold	1,725.04	
5 year swap		4.38%		3.77%		Silver	21.03	
10 year swap		4.37%		4.07%		Iron Ore	94.22	
3 year Govt bond		4.12%		3.22%		CRB Index	293.06	
5 year Govt bond		4.12%		3.41%			NZD	
10 year Govt bond		4.25%		3.76%		NZ Carbon	78.05	

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