

Market Alert

Friday 18 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6124	0.0015
NZD/AUD	0.9152	-0.0044
NZD/JPY	85.89	-1.99
NZD/EUR	0.5911	-0.0067
NZD/GBP	0.5163	-0.0013
NZD/CNH	4.3813	-0.0469
AUD/USD	0.6691	0.0047
AUD/EUR	0.6454	-0.0044
EUR/USD	1.0364	0.0143
USD/CNH	7.1537	-0.0927
GBP/USD	1.1857	0.0053
EUR/GBP	0.8740	0.0077

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.19%	3.09%
2 year swap	4.87%	3.73%
10 year Govt	4.20%	3.71%

Too early to pivot?

Well, I don't know about that, but St. Louis Fed President James Bullard is one person who won't be turning anytime soon after he updated his Fed funds peak, stating, "In the past I have said 4.75%-5.0% but, based on this analysis today, I would say 5.0%-5.25%. That's a minimum level." James has been one of the more hawkish members of the Fed policy makers this year, and he maintained that stance stating rates will need to increase to between 5.0% to 7.0% to meet the Fed's goal of being "sufficiently restrictive" to curb inflation. James was then followed by San Fran President Mary Daly who stated that a pause in rate hikes was "off

the table" although "somewhere between 4.75% and 5.25% seems a reasonable place to think about" a pause.

In terms of data, US housing starts fell 4.2% in October, more than expected, to an annualized 1.43 million units, while building permits declined 2.4%. In further bad news, US mortgage rates posted their largest weekly decline since 1981. Initial claims fell by 4,000 to 222,000, below expectations of 225,000, while the Philly Fed's regional economic survey contracted to -19.4 against the -6.2 expected, suggesting a much leaner year in manufacturing in 2023.

Equities and treasuries slumped as traders 'adjusted' their Fed pivot expectations following the hawkish comments from Bullard and Daly with the markets now pricing in a 50bps hike in December, and a series of 25 basis point increases next year. But it wasn't quite the 'fait de complete' that the markets had expected as the Dow recovered from a 300-point drop to trade flat on the day after a slew of upbeat corporate reports helped offset some concerns about a Fed-induced economic downturn. Commodity markets were also weaker after crude futures tumbled more than 4.0% to below the USD82.00 as concerns around weakening demand took centre stage while flows also resumed through the Druzhba pipeline, which carries Russian oil to Hungary.

Why pay today ... when we can pay tomorrow!

Like all good politicians, UK Chancellor, Jeremy Hunt used his 'Autumn Statement' to delay much of the proposed fiscal pain beyond the next general election, due by January 2025. But in choosing to support the economy in the near term, existing fiscal conditions and policies will do little to tame underlying inflation over the next 2-years, putting pressure on the BoE to push rates higher. As part of the package, Mr. Hunt outlined a GBP55 billion package of tax rises and spending cuts, forecasting that the economy will contract 1.4% next year. Meanwhile, the Office for Budget Responsibility has judged that the UK is now in recession, predicting the country's GDP will contract by 1.4% next year, before returning to growth in 2024.

In the Eurozone, October CPI was confirmed at 10.6% against its prior 10.7% print, while Australia's unemployment rate slid to 3.4% in October to reach its lowest level since 1974. Employment advanced by 32,238 jobs, more than double the forecast, while the underutilisation rate fell to its lowest level since March 1982 at 9.3%. In NZ, Q3 PPI rose, but at a much slower pace than in Q2 after input prices increased 0.8% on the quarter while outputs increased 1.6%. This is ultimately positive news for the RBNZ.



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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	71.40					CAD	0.8162	0.8920
NZD/USD	0.6124	0.0002	0.0010	0.0015	0.0014	CHF	0.5825	0.6365
NZD/AUD	0.9152	-0.0005	-0.0019	-0.0044	-0.0090	CNY	4.3521	4.7657
NZD/JPY	85.89	-0.27	-0.94	-1.99	-4.22	DKK	4.3940	4.8005
NZD/EUR	0.5911	-0.0011	-0.0035	-0.0067	-0.0134	FJD	1.3486	1.4735
NZD/GBP	0.5163	-0.0002	-0.0007	-0.0013	-0.0026	HKD	4.7932	5.2370
						KRW	823.22	899.44
AU TWI	62.40					MYR	2.7864	3.0444
AUD/USD	0.6813	0.0006	0.0024	0.0047	0.0080	NOK	6.1970	6.7708
AUD/NZD	0.6535	0.0005	0.0020	0.0049	0.0098	SEK	6.4988	7.1005
AUD/JPY	93.80	-0.24	-0.84	-1.74	-3.76	SGD	0.8419	0.9199
AUD/EUR	0.6454	-0.0009	-0.0026	-0.0044	-0.0085	TWD	19.06	20.83
AUD/GBP	0.5641	0.0000	0.0003	0.0012	0.0025	ZAR	10.62	11.60
USD Index	106.69					EQUITIES		
EUR/USD	1.0364	0.0022	0.0077	0.0143	0.0259		Index	
USD/JPY	140.16	-0.48	-1.75	-3.56	-7.36	NZX50	11,295	
GBP/USD	1.1857	0.0009	0.0033	0.0053	0.0087	ASX200	7,136	
EUR/GBP	0.8740	0.0012	0.0040	0.0077	0.0150	Dow Jones	33,575	
						S&P 500	3,950	
INTEREST RATES			New Zealand		Australia	FTSE100	7,347	
			Mid		Mid	DAX 30	14,266	
30 day bank bills			4.11%		2.93%	Nikkei	27,931	
90 day bank bills			4.19%		3.09%	COMMODITIES		
1 year swap			4.97%		3.60%		USD	
2 year swap			4.87%		3.73%	Brent Crude	90.10	
3 year swap			4.67%		3.70%	Gold	1,761.93	
5 year swap			4.41%		3.74%	Silver	20.97	
10 year swap			4.35%		4.05%	Iron Ore	92.34	
3 year Govt bond			4.27%		3.22%	CRB Index	305.19	
5 year Govt bond			4.19%		3.37%		NZD	
10 year Govt bond			4.20%		3.71%	NZ Carbon	88.40	

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