

# Market Alert

Tuesday 22 November 2022

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6097 | 0.0013  |
| NZD/AUD    | 0.9238 | -0.0050 |
| NZD/JPY    | 86.37  | -2.03   |
| NZD/EUR    | 0.5965 | -0.0070 |
| NZD/GBP    | 0.5166 | -0.0015 |
| NZD/CNH    | 4.3785 | -0.0501 |
| AUD/USD    | 0.6599 | 0.0048  |
| AUD/EUR    | 0.6446 | -0.0042 |
| EUR/USD    | 1.0233 | 0.0141  |
| USD/CNH    | 7.1814 | -0.0967 |
| GBP/USD    | 1.1802 | 0.0057  |
| EUR/GBP    | 0.8670 | 0.0073  |

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 3.50% | 2.85%     |
| 90 day bills | 4.26% | 3.12%     |
| 2 year swap  | 4.94% | 3.78%     |
| 10 year Govt | 4.25% | 3.68%     |

## For those of you with long memories ...

... it was on this day in 1980 that 350 million people around the globe tuned in to the CBS soap Dallas to find out 'who shot JR?'

The Chicago Fed's national activity index fell to -0.05 in October from September's upwardly revised 0.17. The October print was the index's weakest reading in 4-months suggesting slower US economic growth. We also had San Fran Fed President Mary Daly warn that, "As we work to bring policy to a sufficiently restrictive stance, we will need to be mindful. Adjusting too little will leave inflation too high. Adjusting too much could lead to an

unnecessarily painful downturn," while, Atlanta Fed President Raphael Bostic stated that should the economy develop as he expects, the Fed Funds range should peak at 4.75%-5.00%.

JP Morgan has announced that with bond yields actually generating a yield, institutional investors are returning to the asset class, but take care as they expect a final bout of 2022 chaos as volumes dwindle into the Christmas period - warning the market remains volatile and liquidity attracts a premium.

Chief Economist Philip Lane suggested the ECB will probably continue hiking rates into next year stating, "I don't think December is going to be the last rate hike." ECB policymaker Robert Holzmann then added, "If things stay unchanged between now and 15-December, I would go for a 75bps hike" although ECB colleague Mario Centeno added, "I see room for ECB policy rates to rise. Conditions are in place for a hike below 75bps in December."

We've also started to see a little more focus on China after Oxford Economics announced it expects an exit from China's zero-Covid policy in H2 2023, even as another district in Guangzhou has imposed a 5-day Covid lockdown. Nevertheless, HSBC "remains constructive on China" maintaining their 5.2% 2023 growth forecast as "One of the key assumptions embedded in our growth forecast is a gradual relaxation of their Covid policies next year. We do not expect any major policy shifts in the near term, but

we acknowledge China is making steady progress. Regarding the housing market, more measures are being rolled out to provide funding and stabilise expectations. We also expect more stimulus policies and better implementation following the recent political reshuffle." Meanwhile, the PBoC held their 1- and 5-year loan prime rates at 3.65% and 4.30% respectively while they also 'asked' the local banks to stabilise lending to property developers and construction firms.

NZ credit card spending for October increased 1.0% on the month, up from 0.6% in September. On the year, credit card spending increased by an incredible 24.8%. Finally, the NZIER's RBNZ shadow board call is for a 75bps rate hike tomorrow, which was a majority view.

## Markets start the week under a cloud.

Concerns about China's potential response to a rise in Covid related deaths over the weekend saw equity markets start the week in negative territory. Commodities were also weak, with oil under particular pressure after Goldman's warned lockdowns may cut Chinese demand by 1.2 million barrels a day this quarter and other reports that Saudi Arabia would increase output. Treasuries firmed, which saw the US 10-year Treasury yield ease back to 3.82% while the USD Index firmed, which saw the NZD/USD and AUD/USD ease -0.9%.



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# Daily Rates

Tuesday 22 November 2022

| FX                    | Spot   | FECs (mid) |                    |         |                  | Spot Mid           |              |        |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
|                       | Mid    | 1mth       | 3mths              | 6mths   | 12mths           | NZD/...            | AUD/...      |        |
| NZ TWI                | 71.90  |            |                    |         |                  | CAD                | 0.8195       | 0.8902 |
| NZD/USD               | 0.6097 | 0.0001     | 0.0009             | 0.0013  | 0.0011           | CHF                | 0.5849       | 0.6332 |
| NZD/AUD               | 0.9238 | -0.0007    | -0.0021            | -0.0050 | -0.0100          | CNY                | 4.3739       | 4.7331 |
| NZD/JPY               | 86.37  | -0.32      | -0.99              | -2.03   | -4.32            | DKK                | 4.4302       | 4.7948 |
| NZD/EUR               | 0.5965 | -0.0012    | -0.0036            | -0.0070 | -0.0141          | FJD                | 1.3510       | 1.4622 |
| NZD/GBP               | 0.5166 | -0.0003    | -0.0008            | -0.0015 | -0.0031          | HKD                | 4.7581       | 5.1499 |
|                       |        |            |                    |         |                  | KRW                | 829.11       | 897.37 |
| AU TWI                | 62.00  |            |                    |         |                  | MYR                | 2.7894       | 3.0190 |
| AUD/USD               | 0.6813 | 0.0006     | 0.0024             | 0.0048  | 0.0082           | NOK                | 6.2608       | 6.7763 |
| AUD/NZD               | 0.6535 | 0.0007     | 0.0023             | 0.0052  | 0.0107           | SEK                | 6.5348       | 7.0728 |
| AUD/JPY               | 93.54  | -0.26      | -0.85              | -1.71   | -3.75            | SGD                | 0.8428       | 0.9122 |
| AUD/EUR               | 0.6446 | -0.0008    | -0.0025            | -0.0042 | -0.0085          | TWD                | 19.03        | 20.60  |
| AUD/GBP               | 0.5591 | 0.0001     | 0.0004             | 0.0013  | 0.0024           | ZAR                | 10.58        | 11.45  |
| USD Index             | 107.82 |            |                    |         |                  | <b>EQUITIES</b>    |              |        |
| EUR/USD               | 1.0233 | 0.0022     | 0.0077             | 0.0141  | 0.0264           |                    | <b>Index</b> |        |
| USD/JPY               | 142.13 | -0.53      | -1.83              | -3.61   | -7.60            | NZX50              | 11,440       |        |
| GBP/USD               | 1.1802 | 0.0008     | 0.0034             | 0.0057  | 0.0094           | ASX200             | 7,139        |        |
| EUR/GBP               | 0.8670 | 0.0012     | 0.0038             | 0.0073  | 0.0150           | Dow Jones          | 33,784       |        |
|                       |        |            |                    |         |                  | S&P 500            | 3,954        |        |
|                       |        |            |                    |         |                  | FTSE100            | 7,377        |        |
|                       |        |            |                    |         |                  | DAX 30             | 14,380       |        |
|                       |        |            |                    |         |                  | Nikkei             | 27,945       |        |
| <b>INTEREST RATES</b> |        |            | <b>New Zealand</b> |         | <b>Australia</b> |                    |              |        |
|                       |        |            | <b>Mid</b>         |         | <b>Mid</b>       |                    |              |        |
| 30 day bank bills     |        |            | 4.19%              |         | 2.95%            |                    |              |        |
| 90 day bank bills     |        |            | 4.26%              |         | 3.12%            |                    |              |        |
| 1 year swap           |        |            | 5.05%              |         | 3.62%            |                    |              |        |
| 2 year swap           |        |            | 4.94%              |         | 3.78%            |                    |              |        |
| 3 year swap           |        |            | 4.77%              |         | 3.73%            |                    |              |        |
| 5 year swap           |        |            | 4.49%              |         | 3.73%            |                    |              |        |
| 10 year swap          |        |            | 4.39%              |         | 4.03%            |                    |              |        |
| 3 year Govt bond      |        |            | 4.35%              |         | 3.24%            |                    |              |        |
| 5 year Govt bond      |        |            | 4.26%              |         | 3.38%            |                    |              |        |
| 10 year Govt bond     |        |            | 4.25%              |         | 3.68%            |                    |              |        |
|                       |        |            |                    |         |                  | <b>COMMODITIES</b> |              |        |
|                       |        |            |                    |         |                  |                    | <b>USD</b>   |        |
|                       |        |            |                    |         |                  | Brent Crude        | 87.49        |        |
|                       |        |            |                    |         |                  | Gold               | 1,737.00     |        |
|                       |        |            |                    |         |                  | Silver             | 20.81        |        |
|                       |        |            |                    |         |                  | Iron Ore           | 92.89        |        |
|                       |        |            |                    |         |                  | CRB Index          | 298.37       |        |
|                       |        |            |                    |         |                  |                    | <b>NZD</b>   |        |
|                       |        |            |                    |         |                  | NZ Carbon          | 88.00        |        |

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