

Market Alert

Wednesday 23 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6148	0.0011
NZD/AUD	0.9253	-0.0050
NZD/JPY	86.88	-2.05
NZD/EUR	0.5981	-0.0069
NZD/GBP	0.5172	-0.0015
NZD/CNH	4.3785	-0.0508
AUD/USD	0.6644	0.0049
AUD/EUR	0.6449	-0.0041
EUR/USD	1.0299	0.0140
USD/CNH	7.1424	-0.0970
GBP/USD	1.1883	0.0057
EUR/GBP	0.8664	0.0074

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.34%	3.13%
2 year swap	5.05%	3.70%
10 year Govt	4.22%	3.68%

It was a cold wind that blew during the morning commute

I suspect Adrian Orr won't make it any warmer this afternoon! The latest OECD economic update didn't provide any warmth either announcing global economic growth will slow to 2.2% in 2023, from their earlier projection of 3.1%. Inflation is creating problems that will only worsen if officials fail to act, predicting it'll stay well above target until 2024. The PCE inflation gauge sits at 2.6% in the US and CPI of 3.4% in the Euro-area. While the OECD isn't currently forecasting a recession, Europe and the US are set to be hit hardest with growth projected to be 0.5% in both

areas, down from projected 3.3% and 1.8% in 2022.

The US manufacturing index edged slightly higher to -9.0 in November from -10.0 in October. Cleveland Fed President Loretta Mester announced, "it makes sense to slow down the pace of rate hikes. We are not anywhere near to stopping rate hikes. I do think we need to get into restrictive territory, right now we are barely there. I think we can slow down from 75 at the December meeting although labour demand is still outpacing supply workers, and wage gains are still behind the inflation rate. The journey back to 2.0% will have some pain involved but I don't have a recession in my forecast."

RBA Governor Philip Lowe was equally hawkish and bearish announcing, "the RBA Board expects to increase interest rates further over the period ahead (as we) need to ensure current period of higher inflation is only temporary. It will be increasingly problematic to set a narrow range for inflation targets. Policy is not on a pre-set path, and we could return to 50bps moves, or keep rates unchanged for a time."

Euro-zone consumer confidence rose by 3.6 points to -23.9 in November, beating market expectations of -26.0, while ECB member Gediminas Simkus announced, "both 50bps and 75bps hikes are possible in December. It is premature to pick the next hike without updating forecasts. The sooner QT starts the better. A recession alone will not solve the inflation situation. I see compensatory effects between rates and

QT. Rate hikes will continue past March if needed."

The NZ trade deficit swelled to a fresh record in October following a surge in imports of consumer goods and cars. This suggests domestic demand is holding up strongly in the face of sharply rising interest rates. The shortfall widened to NZD12.9 billion as imports rose 25% while exports jumped 15%.

Blackrock announced they are tactically underweight in DM equities as, "we are in a new macro regime where central banks are causing recessions rather than coming to the rescue. It is clear the major central banks are set to overtighten policy as they battle inflation. Central banks are failing to acknowledge the scale of the recession needed to get inflation down to its target."

Ahead of today's RBNZ meeting, financial markets were trading positively. Equity markets were higher, as were commodity prices with oil up 1.0% after the Saudi Energy Minister signalled the kingdom is ready to reduce production to balance supply and demand if needed. The US 10-year T-bond eased 7bps to yield 3.75%, while the USD-index was off a touch which supported the NZD and AUD.



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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	71.80					CAD	0.8227	0.8903
NZD/USD	0.6148	0.0001	0.0008	0.0011	0.0012	CHF	0.5852	0.6324
NZD/AUD	0.9253	-0.0008	-0.0023	-0.0050	-0.0104	CNY	4.3876	4.7335
NZD/JPY	86.88	-0.32	-1.00	-2.05	-4.36	DKK	4.4389	4.7971
NZD/EUR	0.5981	-0.0013	-0.0037	-0.0069	-0.0141	FJD	1.3566	1.4660
NZD/GBP	0.5172	-0.0003	-0.0008	-0.0015	-0.0034	HKD	4.8060	5.1937
						KRW	831.73	898.83
AU TWI	61.90					MYR	2.8127	3.0396
AUD/USD	0.6813	0.0007	0.0025	0.0049	0.0085	NOK	6.2217	6.7223
AUD/NZD	0.6535	0.0008	0.0023	0.0057	0.0113	SEK	6.5433	7.0719
AUD/JPY	93.90	-0.27	-0.85	-1.71	-3.72	SGD	0.8473	0.9157
AUD/EUR	0.6449	-0.0009	-0.0024	-0.0041	-0.0082	TWD	19.13	20.68
AUD/GBP	0.5590	0.0001	0.0005	0.0013	0.0025	ZAR	10.61	11.47
USD Index	107.20					EQUITIES		
EUR/USD	1.0299	0.0023	0.0077	0.0140	0.0266		Index	
USD/JPY	141.20	-0.53	-1.80	-3.59	-7.47	NZX50	11,420	
GBP/USD	1.1883	0.0010	0.0035	0.0057	0.0098	ASX200	7,181	
EUR/GBP	0.8664	0.0013	0.0039	0.0074	0.0148	Dow Jones	34,019	
						S&P 500	3,987	
						FTSE100	7,453	
						DAX 30	14,422	
						Nikkei	28,116	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			4.24%		2.95%			
90 day bank bills			4.34%		3.13%			
1 year swap			5.04%		3.58%			
2 year swap			5.05%		3.70%			
3 year swap			4.83%		3.68%			
5 year swap			4.53%		3.72%			
10 year swap			4.40%		4.00%			
3 year Govt bond			4.39%		3.26%			
5 year Govt bond			4.28%		3.39%			
10 year Govt bond			4.22%		3.68%			
						COMMODITIES		
							USD	
						Brent Crude	89.50	
						Gold	1,738.47	
						Silver	21.07	
						Iron Ore	91.54	
						CRB Index	298.61	
							NZD	
						NZ Carbon	88.00	

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