

Market Alert

Friday 9 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6377	0.0006
NZD/AUD	0.9416	-0.0063
NZD/JPY	87.10	-2.12
NZD/EUR	0.6039	-0.0073
NZD/GBP	0.5207	-0.0019
NZD/CNH	4.4408	-0.0576
AUD/USD	0.6772	0.0051
AUD/EUR	0.6413	-0.0037
EUR/USD	1.0557	0.0137
USD/CNH	6.9643	-0.0965
GBP/USD	1.2243	0.0052
EUR/GBP	0.8624	0.0073

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.51%	3.17%
2 year swap	5.10%	3.65%
10 year Govt	4.07%	3.44%

The snooze edition

These wasn't a great deal on 'interesting' news overnight, but let's kick on with it anyway!

Recurring applications for US unemployment benefits, or continuing claims which includes people who have already received unemployment benefits for a week or more, climbed by 62k to 1.671m suggesting that the labour market is cooling and that Americans who are losing jobs are having more trouble finding a new one. It was the highest number recorded since early February and well above forecasts of 1.6m. Initial claims rose by 4,000 to 230,000 in line with expectations.

Following on from yesterday's 'dovish' 50bps rate hike, the BoC Deputy Governor Sharon Kozicki stated, "future BoC decisions will be more data dependent. We are moving from how much to raise rates to whether we raise rates. We recognize that we have raised rates rapidly and effects are working their way through. We are seeing some signs of slowing demand but are still in excess demand. Inflation remains too high; it will take some time to return to 2.0%. If we are surprised on the upside, we are still prepared to be forceful."

There was also positive news regarding the price of copper. With copper often viewed as a proxy for global growth, Goldman Sachs has revised its 12-month copper price forecasting a record USD11,000 per tonne, well above its current price just above USD8,000.

Russia's Gazprom announced it increased oil sales to China in December at China's request as they slowly look to re-open their economy for its Covid-strangle. Shanghai has also announced it will remove Covid test requirement for restaurants and entertainment venues so expect a surge in new cases! When is a prod better than a nudge, it appears to be the case after it was announced that the founder of Foxconn Technology Group, Apple's product manufacturer, recently sent a letter to the Chinese leadership warning that the strict Covid controls would threaten China's central position in global supply chains.

Fonterra announced yesterday it expected full year profit for the year ending July to be in the range of 50-70 cents per share ("cps") from 45-60 cps. Fonterra also tightened its forecast farmgate milk price mid-point to NZD9.00 kgMS from NZD9.25.

What it actually means!

The US unemployment data, while slightly contradictory to last week's non-farm data report, offered further hope to an easing in the pace of US rate increases with markets now pricing in a smaller 50bps hike in December but a higher terminal rate at 5.0%. This supported US equity markets, which was in contradiction to European bourses which declined for the 5th consecutive day.

Commodity markets were steady although, the US-Dollar Index plummeted 5.0% in November to record its worst monthly performance in 12-years. The index has continued to weaken falling below technical support at the 105.00 level, which has helped the NZD/USD and AUD/USD to consolidate ahead of the 0.6400 and 0.6800 levels.

The US 10-year treasury yield increased 6bps to 3.49% although there was some positive news for those seeking a new US mortgage after the 30-year fixed mortgage rate fell to 6.33% from 6.49% last week.



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Daily Rates

Friday 9 December 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.10					CAD	0.8650	0.9185
NZD/USD	0.6377	0.0004	0.0008	0.0006	-0.0003	CHF	0.5970	0.6339
NZD/AUD	0.9416	-0.0007	-0.0024	-0.0063	-0.0129	CNY	4.4415	4.7149
NZD/JPY	87.10	-0.33	-0.97	-2.12	-4.49	DKK	4.4920	4.7702
NZD/EUR	0.6039	-0.0013	-0.0034	-0.0073	-0.0150	FJD	1.3857	1.4715
NZD/GBP	0.5207	-0.0003	-0.0007	-0.0019	-0.0039	HKD	4.9637	5.2711
						KRW	838.59	890.53
AU TWI	61.30					MYR	2.8027	2.9763
AUD/USD	0.6813	0.0008	0.0025	0.0051	0.0085	NOK	6.3471	6.7402
AUD/NZD	0.6535	0.0007	0.0025	0.0068	0.0135	SEK	6.5827	6.9904
AUD/JPY	92.49	-0.29	-0.80	-1.67	-3.59	SGD	0.8626	0.9160
AUD/EUR	0.6413	-0.0009	-0.0021	-0.0037	-0.0076	TWD	19.52	20.73
AUD/GBP	0.5530	0.0000	0.0006	0.0017	0.0030	ZAR	10.94	11.61
USD Index	104.76					EQUITIES		
EUR/USD	1.0557	0.0028	0.0072	0.0137	0.0260		Index	
USD/JPY	136.59	-0.59	-1.68	-3.45	-7.02	NZX50	11,617	
GBP/USD	1.2243	0.0014	0.0030	0.0052	0.0084	ASX200	7,176	
EUR/GBP	0.8624	0.0013	0.0036	0.0073	0.0146	Dow Jones	33,835	
						S&P 500	3,967	
INTEREST RATES						FTSE100	7,472	
		New Zealand		Australia		DAX 30	14,265	
		Mid		Mid		Nikkei	27,574	
30 day bank bills		4.35%		3.06%		COMMODITIES		
90 day bank bills		4.51%		3.17%			USD	
1 year swap		5.28%		3.57%		Brent Crude	76.91	
2 year swap		5.10%		3.65%		Gold	1,789.85	
3 year swap		4.75%		3.58%		Silver	23.09	
5 year swap		4.37%		3.56%		Iron Ore	107.09	
10 year swap		4.17%		3.80%		CRB Index	287.67	
3 year Govt bond		4.51%		3.10%			NZD	
5 year Govt bond		4.21%		3.18%		NZ Carbon	82.50	
10 year Govt bond		4.07%		3.44%				

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