

Market Alert

Tuesday 13 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6123	-0.0007
NZD/AUD	0.9068	-0.0055
NZD/JPY	85.32	-2.54
NZD/EUR	0.5701	-0.0062
NZD/GBP	0.4894	-0.0015
NZD/CNH	4.3814	-0.0749
AUD/USD	0.6751	0.0032
AUD/EUR	0.6273	-0.0032
EUR/USD	1.0758	0.0105
USD/CNH	7.1565	-0.1140
GBP/USD	1.2510	0.0021
EUR/GBP	0.8599	0.0068

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.72%	4.26%
2 year swap	5.35%	4.30%
10 year Govt	4.57%	4.03%

With little market moving news overnight

International equity markets continued their recovery as the S&P 500 rallied to its highest level in 13-months. Optimism grew that the Federal Reserve would pause its hiking cycle come Thursday, while the NASDAQ and DAX also posted significant gains. Conversely, commodity markets were a 'sea-of-red' as concerns about global growth continued to weigh with oil futures hit particularly hard falling almost 5% as concerns about weakening demand from China and rising Russian supply outweighed Saudi Arabia's plans to slash output. Bond yields also 'brought-in' to the pause rational as 2 and 10-yr yields eased -3bps and -1bps to 4.57% and 3.74%, while the NZD, AUD, and EUR were unchanged.

In what little news there was, US consumer inflation expectations for the year ahead fell to 4.1% in May to reach the index's lowest level since March 2021. Inflation expectations for the 3 and 5-yr horizons increased by 0.1% to 3.0% and 2.7% respectively. Meanwhile, the US government's budget deficit hit USD1.16 trillion for the first 8-months of the fiscal year, a 191% increase from a year ago!

NZ retail sales plummeted -1.7% in May, which was lower than the expected 0.3%. There were widespread falls across most retail indicators as, *"retail prices are continuing to rise at a rapid pace. The weaker spending highlights the growing pressure on households' finances."* The 'false' confidence house prices provide won't help either after the QV house price index fell -3.4% in the 3-months to May.

NZ is not the only place where the economic data continues to plummet after Japanese PPIs collapsed -0.7% in May, against an anticipated -0.2% contraction, while the BoJ has taken a slightly different approach to central bank forecasting with Deputy Governor Masazumi Wakatabe announcing, *"don't expect a change from BoJ at this week's meeting!"* Speculation continues to build that the PBoC may cut their MLF rates on Thursday while BoE member, Jonathan Haskel, announced, *"further increases in interest rates cannot be ruled out."*

Former Treasury Secretary Larry Summers announced, *"the US is, today,*

an underlying 4.5-5.0% inflation country," adding that talk of a soft landing *"represents the triumph of hope over experience."*

Getting to the gossip

Economists are predicting at least two more US rate rises to quell inflation. Experts polled by the FT suggest the Fed will need to take tougher action than the market is pricing to cool the economy with forecasters projecting 5.75%-6.0% as the new peak with 12% of forecasters seeing policy rates firming above the 6.0% handle. Even more concerning, those that follow the Taylor Rule (a formula that calculates how much a central bank should raise rates when inflation or GDP is above target) suggests another 150bps of rate hikes are needed – which would take US rates to 7.0%!

Fonterra has outlined details of its planned NZD800 million capital return. The scheme, which is expected to be ratified at a special shareholder meeting on 12th July, would see a NZD3 dollar payout for every repurchased and cancelled share with 1-in-6 shares expected to be cancelled.

Global ratings agency Fitch Ratings has revised its outlooks for the NZ/ Australia banking sector from neutral to deteriorating amid increasing concerns about bank earnings and asset quality.

RIP Silvio Berlusconi ... it was a colourful life!



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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	70.60					CAD	0.8185	0.8993
NZD/USD	0.6123	-0.0001	-0.0004	-0.0007	-0.0020	CHF	0.5563	0.6134
NZD/AUD	0.9068	-0.0011	-0.0030	-0.0055	-0.0100	CNY	4.3731	4.8245
NZD/JPY	85.32	-0.46	-1.28	-2.54	-5.07	DKK	4.2405	4.6754
NZD/EUR	0.5701	-0.0012	-0.0033	-0.0062	-0.0128	FJD	1.3407	1.4782
NZD/GBP	0.4894	-0.0004	-0.0010	-0.0015	-0.0021	HKD	4.7965	5.2885
						KRW	786.39	867.04
AU TWI	61.60					MYR	2.8270	3.1169
AUD/USD	0.6751	0.0006	0.0018	0.0032	0.0045	NOK	6.6130	7.2912
AUD/NZD	1.1024	0.0012	0.0032	0.0063	0.0114	SEK	6.6217	7.3009
AUD/JPY	94.21	-0.36	-1.10	-2.26	-4.64	SGD	0.8226	0.9070
AUD/EUR	0.6273	-0.0005	-0.0016	-0.0032	-0.0074	TWD	18.83	20.77
AUD/GBP	0.5396	0.0002	0.0006	0.0016	0.0036	ZAR	11.37	12.54
USD Index	103.60					EQUITIES		
EUR/USD	1.0758	0.0018	0.0054	0.0105	0.0196		Index	
USD/JPY	139.53	-0.65	-2.00	-3.98	-7.74	NZX50	11,616	
GBP/USD	1.2510	0.0007	0.0018	0.0021	-0.0001	ASX200	7,123	
EUR/GBP	0.8599	0.0009	0.0030	0.0068	0.0158	Dow Jones	34,066	
						S&P 500	4,336	
INTEREST RATES			New Zealand		Australia	FTSE100	7,571	
			Mid		Mid	DAX 30	16,098	
30 day bank bills			5.63%		4.11%	Nikkei	32,434	
90 day bank bills			5.72%		4.26%	COMMODITIES		
1 year swap			5.76%		4.45%		USD	
2 year swap			5.35%		4.30%	Brent Crude	71.81	
3 year swap			4.97%		4.13%	Gold	1,957.88	
5 year swap			4.60%		4.04%	Silver	24.04	
10 year swap			4.48%		4.26%	Iron Ore	112.96	
3 year Govt bond			4.74%		3.88%	CRB Index	285.01	
5 year Govt bond			4.53%		3.84%		NZD	
10 year Govt bond			4.57%		4.03%	NZ Carbon	55.00	

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