

Market Alert

Wednesday 14 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6144	-0.0008
NZD/AUD	0.9081	-0.0054
NZD/JPY	86.18	-2.56
NZD/EUR	0.5695	-0.0062
NZD/GBP	0.4873	-0.0013
NZD/CNH	4.4089	-0.0762
AUD/USD	0.6767	0.0030
AUD/EUR	0.6269	-0.0032
EUR/USD	1.0791	0.0103
USD/CNH	7.1738	-0.1147
GBP/USD	1.2607	0.0016
EUR/GBP	0.8559	0.0071

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.72%	4.27%
2 year swap	5.33%	4.35%
10 year Govt	4.56%	4.01%

The shock of it all!

It's the gift that keeps on giving! Former President Donald Trump has pleaded not guilty to 37 charges relating to allegations he kept classified documents after he left the White House.

US inflation came out broadly in line with expectations, raising the possibility the Fed will pause tomorrow. Breaking it down, inflation increased 0.1% on the month and 4.0% on the year, which was below forecasts at 4.1%, although the core rates remain 'sticky' at 0.4% and 5.3%, which was slightly higher than the expected 5.2%. So, some positives, some negatives, but the song remains the same ... headline falls are offset by the stronger cores.

In other news, US small business optimism increased slightly to 89.4 in May, from April's 89.0 print. Sentiment is also increasing in Germany after the ZEW economic sentiment index rose to -8.5 in June, from May's -10.7. The UK unemployment rate increased 0.1% to 3.8% in the 3-months to April, although it was lower than the 4.0% forecast. In Australia, business confidence fell to -4 in May while, conversely, the consumer confidence index jumped into positive territory at 0.2% in June, rallying from May's -7.9%.

The NZ immigrant debate appears to be falling from the agenda rather quickly after April's numbers highlighted a net inflow of 5,785 migrants. Yes, it is still 'elevated', but it was the smallest net gain since October and lower than the prior two months, which produced consecutive inflows of over 13,000 people. Further bad news came from the Fonterra Pulse WMP auction, which saw Fonterra's key product fall from USD3,100 to USD3,080 MT.

Always the outlier, the Peoples Bank of China cut its 7-day repo rate from 2.00% to 1.90%, with focus now well and truly on Thursday's 1-year and 5-year lending facility fixings. China is also continuing its shift to stimulatory mode, with Chinese banks providing CNY1.36tn in new yuan loans in May, an increase of CNY0.72tn on April's lending.

Financial markets were in a positive mood ahead of a potential Fed pause, which saw equity markets post broad gains in the 0.25%-0.75% range, as were commodity markets with oil prices gaining 3.0% after the US announced it would purchase around 12 million barrels for its strategic reserves. Bond yields were cautiously higher, with the US 2 and 10-years 9bps and 7bps higher at 4.68% and 3.83% respectively, while the USD depreciated following the CPI release, which saw the NZD, AUD, and EUR post modest gains.

The gossip corner

US Treasury Secretary Janet Yellen stated we, "Should expect a slow decline in USD as the reserve currency" while the PIMCO CIO added, "There's no guarantee that we're going to be short the dollar all the time, but today, (in) positioning we have dollar underweights versus G10 and EM."

Goldman Sachs CEO David Solomon stated, "Inflation is a little bit stickier, and I do think, in the distribution of outcomes, there's a reasonable chance that rates go higher," while Morgan Stanley announced "With the S&P 500 rally now crossing the 20% threshold, many are declaring the bear market officially over. We respectfully disagree due to our 2023 earnings forecast."

One of the local banks has raised its RBA forecast to 4.60%, from 4.35%, calling for 25bps hikes in July and August.



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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	0.8177	0.9007
NZD/USD	0.6144	-0.0001	-0.0003	-0.0008	-0.0021	CHF	0.5564	0.6129
NZD/AUD	0.9081	-0.0010	-0.0028	-0.0054	-0.0102	CNY	4.3998	4.8460
NZD/JPY	86.18	-0.45	-1.27	-2.56	-5.12	DKK	4.2427	4.6730
NZD/EUR	0.5695	-0.0011	-0.0032	-0.0062	-0.0124	FJD	1.3432	1.4794
NZD/GBP	0.4873	-0.0004	-0.0011	-0.0013	-0.0011	HKD	4.8133	5.3014
						KRW	779.80	858.87
AU TWI	62.20					MYR	2.8348	3.1223
AUD/USD	0.6767	0.0006	0.0017	0.0030	0.0045	NOK	6.5469	7.2107
AUD/NZD	1.1008	0.0011	0.0032	0.0061	0.0102	SEK	6.5742	7.2408
AUD/JPY	94.87	-0.40	-1.12	-2.30	-4.74	SGD	0.8246	0.9082
AUD/EUR	0.6269	-0.0006	-0.0016	-0.0032	-0.0074	TWD	18.83	20.74
AUD/GBP	0.5367	0.0002	0.0005	0.0017	0.0043	ZAR	11.45	12.61
USD Index	103.33					EQUITIES		
EUR/USD	1.0791	0.0019	0.0054	0.0103	0.0203		Index	
USD/JPY	140.19	-0.71	-1.99	-3.98	-7.89	NZX50	11,653	
GBP/USD	1.2607	0.0007	0.0012	0.0016	-0.0017	ASX200	7,139	
EUR/GBP	0.8559	0.0010	0.0030	0.0071	0.0169	Dow Jones	34,198	
						S&P 500	4,366	
INTEREST RATES			New Zealand		Australia	FTSE100	7,595	
			Mid		Mid	DAX 30	16,231	
30 day bank bills			5.63%		4.11%	Nikkei	33,019	
90 day bank bills			5.72%		4.27%	COMMODITIES		
1 year swap			5.73%		4.46%		USD	
2 year swap			5.33%		4.35%	Brent Crude	74.05	
3 year swap			4.96%		4.19%	Gold	1,941.62	
5 year swap			4.59%		4.05%	Silver	23.66	
10 year swap			4.45%		4.25%	Iron Ore	111.14	
3 year Govt bond			4.73%		3.88%	CRB Index	289.34	
5 year Govt bond			4.52%		3.83%		NZD	
10 year Govt bond			4.56%		4.01%	NZ Carbon	57.25	

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