

Market Alert

Friday 9 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6096	-0.0008
NZD/AUD	0.9081	-0.0055
NZD/JPY	84.69	-2.51
NZD/EUR	0.5655	-0.0061
NZD/GBP	0.4855	-0.0015
NZD/CNH	4.3402	-0.0725
AUD/USD	0.6712	0.0031
AUD/EUR	0.6226	-0.0030
EUR/USD	1.0776	0.0103
USD/CNH	7.1209	-0.1100
GBP/USD	1.2553	0.0020
EUR/GBP	0.8583	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.72%	4.25%
2 year swap	5.39%	4.29%
10 year Govt	4.61%	4.09%

Following on from Germany entering a technical recession ...

... the Eurozone's Q1 GDP revision to -0.1% saw the wider region also enter a technical recession. But while lower government and consumer spending generated the negative print, the fact the labour market remains extremely strong suggests it's unlikely ECB officials will change tack on their interest rate strategy.

The other headline overnight was the US initial claims release, which increased to 261k, the index's highest print since October 2021 and above forecasts of 235k.

Other releases saw New Zealand manufacturing sales fall -2.1% in Q1 following Q4's -4.7% contraction, the Australian April trade balance produced

an AUD11.16bn surplus, although it was lower than expectations at AUD13.65bn from March's AUD15.27bn, and finally, Japanese Q1 GDP grew 0.7% against the flash forecast at 0.4%.

There wasn't much central bank chit-chat either with an IMF spokesperson urging the Federal Reserve and other central banks to "stay the course! If inflation does prove to be more persistent than expected, then the Fed may need to push interest rates higher for longer." SNB President Thomas Jordan stated, "Inflation is above our threshold for price stability. We have second-round effects, third-round effects, so inflation is more persistent than we initially thought. It's not a good idea to wait for inflation to rise and then have to hike interest rates," while BoC deputy Governor Paul Beaudry added, "Its unlikely neutral interest rate will fall below pre-pandemic estimates; there is a meaningful risk it could go up."

Yuan deposit rates were cut by a range of Chinese banks after 'requests' from the authorities with the implication that the PBOC will follow suit and cut their MLF rate later this month. Meanwhile, a number of POBC Vice-Governors were on the newswires attempting to 'talk-up' the Yuan, stating, "We have confidence, conditions, and capacity to maintain stable operations in the FX market. Yuan market expectation and cross-border capital flows are relatively stable. As the Fed nears the end of this rate hike cycle, USD strength is hardly sustainable. The external impact on the yuan is expected to weaken," while, the Chinese financial regulator added,

"The economy is still recovering. Demand will be boosted, expand. The recent global banking crisis has had little impact on China but does offer a cautionary tale. China has the conditions and confidence to prevent systemic financial risks."

While equity markets enjoyed a night of modest gains, the spike in US initial claims saw the USD come under selling pressure with the CHF and the NZD the major beneficiaries, although the AUD and EUR also posted impressive gains. Treasury yields also treaded lower on the move, with the 2-yr and 10-yr easing -3bps and -7bps to yield 4.52% 3.71%. commodity prices were broadly higher although oil prices fell with crude losing -1.9% while Brent eased -1.4%.

The gossip corner.

Legendary investor, and one of the original 'market wizards,' Stanley Druckenmiller is forecasting, "corporate profits will fall 20%-30%. The Fed will end up with higher terminal rates as stickier inflation increases chances of hard landing (although I'm more worried about growth than inflation."

Soro's Fund CIO Dawn Fitzpatrick expects more US banks to fail with the smaller lenders particularly vulnerable although agency mortgage-backed securities as, "The valuations in that space have gotten disproportionately cheap relative to other asset classes."

Lastly ... will Manchester City create history on Sunday morning? Hopefully ... not. Come on Inter!



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Daily Rates

Friday 9 June 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.00					CAD	0.8142	0.8963
NZD/USD	0.6096	-0.0001	-0.0003	-0.0008	-0.0028	CHF	0.5480	0.6035
NZD/AUD	0.9081	-0.0010	-0.0029	-0.0055	-0.0101	CNY	4.3349	4.7730
NZD/JPY	84.69	-0.41	-1.25	-2.51	-5.04	DKK	4.2140	4.6398
NZD/EUR	0.5655	-0.0010	-0.0031	-0.0061	-0.0125	FJD	1.3377	1.4729
NZD/GBP	0.4855	-0.0004	-0.0010	-0.0015	-0.0023	HKD	4.7772	5.2599
						KRW	790.46	870.34
AU TWI	61.40					MYR	2.8145	3.0989
AUD/USD	0.6712	0.0006	0.0018	0.0031	0.0042	NOK	6.6400	7.3110
AUD/NZD	1.1009	0.0011	0.0034	0.0063	0.0113	SEK	6.5831	7.2483
AUD/JPY	93.25	-0.35	-1.09	-2.22	-4.59	SGD	0.8187	0.9014
AUD/EUR	0.6226	-0.0005	-0.0015	-0.0030	-0.0071	TWD	18.72	20.61
AUD/GBP	0.5345	0.0001	0.0006	0.0015	0.0032	ZAR	11.49	12.65
USD Index	103.37					EQUITIES		
EUR/USD	1.0776	0.0018	0.0053	0.0103	0.0190		Index	
USD/JPY	138.94	-0.65	-1.99	-3.94	-7.66	NZX50	11,716	
GBP/USD	1.2553	0.0007	0.0018	0.0020	0.0004	ASX200	7,100	
EUR/GBP	0.8583	0.0009	0.0030	0.0063	0.0149	Dow Jones	33,847	
						S&P 500	4,292	
INTEREST RATES			New Zealand		Australia	FTSE100	7,600	
			Mid		Mid	DAX 30	15,990	
30 day bank bills			5.63%		4.10%	Nikkei	31,641	
90 day bank bills			5.72%		4.25%	COMMODITIES		
1 year swap			5.78%		4.46%		USD	
2 year swap			5.39%		4.29%	Brent Crude	75.86	
3 year swap			5.00%		4.14%	Gold	1,963.78	
5 year swap			4.63%		4.06%	Silver	24.27	
10 year swap			4.52%		4.28%	Iron Ore	109.18	
3 year Govt bond			4.73%		3.92%	CRB Index	290.80	
5 year Govt bond			4.54%		3.89%		NZD	
10 year Govt bond			4.61%		4.09%	NZ Carbon	56.30	

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