

Market Alert

Friday 21 July 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6225 | -0.0003 |
| NZD/AUD | 0.9312 | -0.0052 |
| NZD/JPY | 87.19 | -2.62 |
| NZD/EUR | 0.5592 | -0.0055 |
| NZD/GBP | 0.4839 | -0.0002 |
| NZD/CNH | 4.4662 | -0.0752 |
| AUD/USD | 0.6777 | 0.0035 |
| AUD/EUR | 0.6087 | -0.0027 |
| EUR/USD | 1.1129 | 0.0105 |
| USD/CNH | 7.1759 | -0.1179 |
| GBP/USD | 1.2864 | -0.0003 |
| EUR/GBP | 0.8651 | 0.0081 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 5.50% | 4.10% |
| 90 day bills | 5.69% | 4.35% |
| 2 year swap | 5.49% | 4.44% |
| 10 year Govt | 4.63% | 4.01% |

What a fantastic night ... well done New Zealand!

Firstly, our heart felt condolences to all those who were affected by yesterday's tragedy, but it was also fantastic to see the country come together for last night's world cup opener. It was a night of firsts, New Zealand's first win at a (senior)world cup finals, New Zealand's largest crowd for a football game, the best crowd at a football game, and the performance also ranks up their as one of our best! Also, wasn't it great to watch a game without the players falling over and rolling 16-times after they'd broken an eyelash? Also, well done Australia on your win.

Speaking of Australia ...

... the lucky country just can't seem to do anything wrong at the moment after their latest employment release saw

32.6k workers join the job market last month, 39.6k fulltime while part-time workers decreased -6.7k, which saw the unemployment rate fall from 3.6% to 3.5%. The only 'inconvenience' in the data was the very slight drop in the participation rate, from 66.9% to 66.8%. The strong employment report, and the PBoC intervention (see below), saw the AUD rally strongly in our time zone, which also dragged the NZD higher, although the NZD reversed overnight becoming the worst performer, specifically against the AUD and CNY.

Speaking of the CNY, the PBoC actively intervened at yesterday's USD/CNY fixing to jam the rate lower, from 7.2233 to 7.1466, while the central bank also eased its macro-prudential adjustment parameters raising them from 1.25 to 1.50. This will make it easier for Chinese companies and financial institutions to attract cross-border financing thereby increasing foreign capital inflows.

Like Australia, the strong performance of the employment market underpinned the strong state of the US economy after initial claims fell to a 2-month low, falling 9k to 228k last week, which was well below forecasts at 242k. The 4-week moving average, which removes week-to-week volatility, declined to 237.5k, which was the index's lowest level in 6-weeks. In other US headlines, the Philadelphia Fed manufacturing index was little changed at -13.5 from June's -13.7 while existing home sales fell 3.3% to its lowest level in 5-months.

Finally, the flash Euro-zone consumer confidence improved from -16.1 to -15.1.

Overnight, financial markets were mixed with European equities mildly positive while the US exchanges had the Dow trading higher while the S&P and Nasdaq were lower, with the later crushed falling -2.20%, while commodities were broadly positive with wheat prices consolidating after yesterday's strong rally. Bonds yields also firmed, with the 2 and 10-year treasury yields 7bp and 10bp higher at 4.82% and 3.845%, while the USD-index posted modest gains. As previously mentioned, the NZD was the worst performing currency overnight with NZD/AUD falling below the 0.9200 level while NZD/CNH plummeted from above 4.5300 to below 4.4700. It was also interesting to note that while USD/JPY rallied above the 140.00 level, NZD/JPY eased back to 87.25.

Like a murmuration of starlings, economist love to swarm in the same direction!

A Bloomberg economists' poll has 82% of the respondents favouring the BoJ to leave their policy settings untouched at next weeks meeting, with 28% of those polled suggesting October is most likely the month for a policy change. Meanwhile, a Reuters poll had 100% of economists surveyed forecasting the ECB will hike 25bp in July, with just over half of those surveyed also expecting a further hike in September.

Have you ever seen the word 'murmuration' in an economic commentary before?



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Daily Rates

Friday 21 July 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 72.00 | | | | | CAD | 0.8203 | 0.8931 |
| NZD/USD | 0.6225 | -0.0001 | -0.0002 | -0.0003 | -0.0018 | CHF | 0.5395 | 0.5874 |
| NZD/AUD | 0.9312 | -0.0010 | -0.0029 | -0.0052 | -0.0104 | CNY | 4.4681 | 4.8643 |
| NZD/JPY | 87.19 | -0.43 | -1.28 | -2.62 | -5.22 | DKK | 4.1665 | 4.5359 |
| NZD/EUR | 0.5592 | -0.0009 | -0.0027 | -0.0055 | -0.0115 | FJD | 1.3621 | 1.4829 |
| NZD/GBP | 0.4839 | -0.0001 | -0.0003 | -0.0002 | -0.0004 | HKD | 4.8641 | 5.2954 |
| | | | | | | KRW | 795.09 | 865.60 |
| AU TWI | 62.30 | | | | | MYR | 2.8262 | 3.0768 |
| AUD/USD | 0.6777 | 0.0007 | 0.0019 | 0.0035 | 0.0048 | NOK | 6.2719 | 6.8280 |
| AUD/NZD | 1.0885 | 0.0010 | 0.0030 | 0.0057 | 0.0102 | SEK | 6.4451 | 7.0166 |
| AUD/JPY | 94.93 | -0.36 | -1.10 | -2.33 | -4.67 | SGD | 0.8258 | 0.8990 |
| AUD/EUR | 0.6087 | -0.0003 | -0.0010 | -0.0027 | -0.0059 | TWD | 19.38 | 21.09 |
| AUD/GBP | 0.5268 | 0.0004 | 0.0014 | 0.0027 | 0.0055 | ZAR | 11.17 | 12.16 |
| USD Index | 100.85 | | | | | EQUITIES | | |
| EUR/USD | 1.1129 | 0.0017 | 0.0048 | 0.0105 | 0.0182 | | Index | |
| USD/JPY | 140.06 | -0.67 | -2.01 | -4.15 | -7.83 | NZX50 | 11,932 | |
| GBP/USD | 1.2864 | 0.0002 | 0.0002 | -0.0003 | -0.0044 | ASX200 | 7,325 | |
| EUR/GBP | 0.8651 | 0.0011 | 0.0036 | 0.0081 | 0.0173 | Dow Jones | 35,218 | |
| | | | | | | S&P 500 | 4,531 | |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 35,222 | |
| | | | Mid | | Mid | DAX 30 | 16,204 | |
| 30 day bank bills | | | 5.65% | | 4.16% | Nikkei | 32,491 | |
| 90 day bank bills | | | 5.69% | | 4.35% | COMMODITIES | | |
| 1 year swap | | | 5.84% | | 4.54% | | USD | |
| 2 year swap | | | 5.49% | | 4.45% | Brent Crude | 79.73 | |
| 3 year swap | | | 5.11% | | 4.29% | Gold | 1,970.26 | |
| 5 year swap | | | 4.69% | | 4.34% | Silver | 24.74 | |
| 10 year swap | | | 4.49% | | 4.45% | Iron Ore | 112.08 | |
| 3 year Govt bond | | | 4.99% | | 3.95% | CRB Index | 306.39 | |
| 5 year Govt bond | | | 4.72% | | 3.89% | | NZD | |
| 10 year Govt bond | | | 4.63% | | 4.01% | NZ Carbon | 48.00 | |

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