

Market Alert

Wednesday 26 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6221	-0.0001
NZD/AUD	0.9164	-0.0053
NZD/JPY	87.72	-2.65
NZD/EUR	0.5631	-0.0056
NZD/GBP	0.4823	-0.0001
NZD/CNH	4.4420	-0.0735
AUD/USD	0.6789	0.0037
AUD/EUR	0.6143	-0.0027
EUR/USD	1.1048	0.0106
USD/CNH	7.1383	-0.1161
GBP/USD	1.2894	-0.0001
EUR/GBP	0.8567	0.0082

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.70%	4.40%
2 year swap	5.46%	4.47%
10 year Govt	4.72%	4.09%

China worries

The latest IMF report has pointed to a sharp contraction in the Chinese real estate sector, weak consumption and tepid consumer confidence as reasons to worry about China's outlook, noting that China is the key risk to global growth. The IMF also noted that the US economy could avoid a recession and ... glide towards its inflation target. The IMF raised its forecast for global growth in 2023 to 3.0%, up 0.2% from its previous forecast in April, citing resilient service sector activity in the first quarter of the year.

Yesterday's Politburo meeting in China may finally be the catalyst for an improving domestic economy after the 'powers-that-be' signalled a statement of intent, according to state news

agency Xinhua officials have decided to "step up economic policy adjustments focusing on expanding domestic demand, boosting confidence and preventing risks." While the report was light on specifics, the report says China will implement macro adjustments "in a precise and forceful manner." It should also be noted that China mainland and HK stocks were higher after the stimulus pledge while Chinese state banks were seen intervening to support the yuan. The upward trend in the USD/CNY seen through much of this year now seems to be reversing, while the CNY also made ground against the AUD and NZD.

Australian weekly consumer confidence continues to track close to its 3-year low, at 75.2 this week from 72.6. Markets will be awaiting today's Australian Q2 CPI data, with expectations centred on a fall in the annual headline rate from 7.0% to 6.3%, with the quarterly rate easing from 1.4% to 1.0%. Any surprises will drive AUD direction today. The NZD/AUD drifted under 0.9200 yesterday, from above 0.9300 a week ago. The AUD/USD starts the day near 0.6790.

Tonight's Fed meeting is almost certain to deliver another 25bp hike but markets will be looking for any clues as to the likelihood of any additional hikes. While a tightening bias is likely to be maintained, market pricing suggests this could be the last hike in the cycle. Fed 'whisperer', Nick Timiraos, has a piece in the WSJ suggesting it's way too early to think the pending FOMC rate hike this week will be the final one.

Here's an interesting thought ...

US financial firm, Raymond James, has provided a spark of optimism for commodity exporters announcing, "The rally in equities since October has been built partially on the continued decline in commodity pricing, which has helped US and European consumers, lowered the inflation outlook/rates, and generally helped build a narrative for a 'soft landing'. However, since late May, the Bloomberg commodity index has been moving up (circa +10%). It's worth paying attention to because continued commodity inflation has the chance of transitioning the dominant narrative from that of a 'soft landing' back to 'stagflation', essentially returning to the narratives of summer/fall 2022."

JP Morgan announced that US equity concentration risk is at its highest level in 60-years with its dependence on a handful of mega-cap names. A selloff catalyst might include an event such as a deep recession or a sudden resurgence of inflationary pressures.



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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	71.40					CAD	0.8194	0.8944
NZD/USD	0.6221	0.0000	0.0000	-0.0001	-0.0014	CHF	0.5377	0.5869
NZD/AUD	0.9164	-0.0010	-0.0027	-0.0053	-0.0095	CNY	4.4380	4.8432
NZD/JPY	87.72	-0.43	-1.27	-2.65	-5.17	DKK	4.1951	4.5781
NZD/EUR	0.5631	-0.0009	-0.0026	-0.0056	-0.0113	FJD	1.3610	1.4852
NZD/GBP	0.4823	-0.0001	-0.0001	-0.0001	0.0000	HKD	4.8602	5.3039
						KRW	794.21	866.72
AU TWI	62.00					MYR	2.8368	3.0958
AUD/USD	0.6789	0.0007	0.0019	0.0037	0.0051	NOK	6.2592	6.8307
AUD/NZD	1.0908	0.0011	0.0030	0.0060	0.0099	SEK	6.4563	7.0458
AUD/JPY	95.71	-0.38	-1.11	-2.34	-4.72	SGD	0.8257	0.9011
AUD/EUR	0.6143	-0.0003	-0.0010	-0.0027	-0.0062	TWD	19.47	21.25
AUD/GBP	0.5264	0.0004	0.0014	0.0028	0.0053	ZAR	10.92	11.92
USD Index	101.31					EQUITIES		
EUR/USD	1.1048	0.0017	0.0049	0.0106	0.0193		Index	
USD/JPY	140.94	-0.70	-2.03	-4.20	-8.00	NZX50	11,934	
GBP/USD	1.2894	0.0002	0.0002	-0.0001	-0.0034	ASX200	7,340	
EUR/GBP	0.8567	0.0012	0.0036	0.0082	0.0171	Dow Jones	35,473	
						S&P 500	4,574	
INTEREST RATES			New Zealand		Australia	FTSE100	7,692	
			Mid		Mid	DAX 30	16,212	
30 day bank bills			5.65%		4.20%	Nikkei	32,683	
90 day bank bills			5.70%		4.40%	COMMODITIES		
1 year swap			5.79%		4.53%		USD	
2 year swap			5.46%		4.49%	Brent Crude	83.55	
3 year swap			5.11%		4.34%	Gold	1,964.08	
5 year swap			4.71%		4.40%	Silver	24.64	
10 year swap			4.53%		4.53%	Iron Ore	112.51	
3 year Govt bond			5.06%		4.00%	CRB Index	314.63	
5 year Govt bond			4.79%		3.96%		NZD	
10 year Govt bond			4.72%		4.09%	NZ Carbon	51.25	

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