

Market Alert

Monday 31 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6161	-0.0001
NZD/AUD	0.9256	-0.0058
NZD/JPY	86.85	-2.56
NZD/EUR	0.5582	-0.0055
NZD/GBP	0.4793	-0.0002
NZD/CNH	4.3991	0.0000
AUD/USD	0.6656	0.0041
AUD/EUR	0.6042	-0.0022
EUR/USD	1.1015	0.0106
USD/CNH	7.1515	0.0000
GBP/USD	1.2850	0.0001
EUR/GBP	0.8574	0.0081

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.33%
2 year swap	5.49%	4.28%
10 year Govt	4.80%	4.14%

Football Fern's fall at the last hurdle ...

... chasing that elusive spot in the knockout stages, but we should be proud in that it was the best points-return from a senior team at a World Cup. At least the All Blacks are continuing to improve and are gaining some real momentum while the Silver Ferns are tracking well and Steven Alker had another good pay-day with a second placed finish at the Senior British Open ... with a hole-in-one to boot!

BoJ tweaks yield curve control!

They say the BoJ likes to take the market by surprise, and the central bank did that on Friday after it took a small step towards loosening its Yield Curve Control policy by describing its 0.50%

ceiling for the 10 year yield as a 'reference point, not a rigid limit', which essentially means the central bank is not required to intervene in bond markets when the 10 year bond yield exceeds the 0.50% level. The central bank also left its short-term policy rate unchanged at -0.10%. The yen had surged ahead of the BoJ meeting but the moves quickly reversed – seeing the USD/JPY do a round trip from 141.00 to 138.00 and back again. The yield on the 10 year Japanese government bond rose to 0.575% - its highest level since 2015.

The BoJ decision saw international bond yields move substantially higher on the perception Japanese investors will target domestic holdings rather than international peers. This saw the Australian 10 year yield rise 18bp after the BoJ decision, while those in New Zealand increased 9bp. Interestingly, the 10 year US yield closed down 5bp on Friday to close the week at 3.95%, and even though the USD-index was flat, the NZD and AUD came under selling pressure. Equity markets liked the news, with most bourses 0.50%-1.0% higher, while commodity markets were also broadly positive.

In the US, core PCE prices reached 0.2% in June, easing slightly from May's 0.3% increase but in line with expectations. The annual rate fell to 4.1% to reach its lowest level since September. Looking at the core, the PCE price index rose 0.2% on the month and 3.0% on the year, the least since March 2021.

In Europe, German GDP stalled at 0.0% in Q2, below forecasts for 0.1% growth, although it was enough to move the economy away from a recession after the prior two contractionary quarters. The picture was mixed across the euro region as France's economy beat with 0.5% growth while Spain's GDP slipped to 0.4%.

Forecasting failures

The BoE has brought in the heavyweights, with ex Fed chief Ben Bernanke leading a review of the central banks forecasting as, "The review will allow us to take a step back and reflect on where our processes need to adapt to a world in which we increasingly face significant uncertainty," after BoE's 6.0% inflation forecast peak was well surpassed when inflation hit 11.1% last year.

This week will likely see a continuation of the recent market volatility, with US non-farm payrolls and employment releases, factory orders, JOLT job openings, and ISM manufacturing and services PMIs. We also have central bank meetings in the UK and Australia, as well as GDP, inflation, and unemployment prints from the Eurozone. We also have unemployment updates from Japan, Germany, and Canada while China will release its manufacturing and services PMI data. In NZ we have our Q2 labour update.



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Daily Rates

Monday 31 July 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.10					CAD	0.8150	0.8807
NZD/USD	0.6161	0.0000	0.0000	-0.0001	-0.0017	CHF	0.5359	0.5771
NZD/AUD	0.9256	-0.0010	-0.0029	-0.0058	-0.0110	CNY	4.3996	4.7512
NZD/JPY	86.85	-0.42	-1.25	-2.56	-5.04	DKK	4.1667	4.5015
NZD/EUR	0.5582	-0.0009	-0.0026	-0.0055	-0.0111	FJD	1.3481	1.4565
NZD/GBP	0.4793	-0.0001	-0.0001	-0.0002	0.0001	HKD	4.8032	5.1892
						KRW	784.19	847.20
AU TWI	61.10					MYR	2.8051	3.0305
AUD/USD	0.6656	0.0007	0.0021	0.0041	0.0061	NOK	6.2559	6.7586
AUD/NZD	1.0790	0.0010	0.0032	0.0065	0.0116	SEK	6.4878	7.0090
AUD/JPY	93.82	-0.35	-1.06	-2.19	-4.40	SGD	0.8200	0.8859
AUD/EUR	0.6042	-0.0003	-0.0009	-0.0022	-0.0050	TWD	19.30	20.86
AUD/GBP	0.5179	0.0005	0.0015	0.0031	0.0062	ZAR	10.84	11.71
USD Index	101.70					EQUITIES		
EUR/USD	1.1015	0.0016	0.0050	0.0106	0.0195		Index	
USD/JPY	141.15	-0.68	-2.02	-4.13	-7.92	NZX50	11,947	
GBP/USD	1.2850	0.0002	0.0003	0.0001	-0.0032	ASX200	7,404	
EUR/GBP	0.8574	0.0011	0.0037	0.0081	0.0174	Dow Jones	35,459	
						S&P 500	4,582	
INTEREST RATES			New Zealand		Australia	FTSE100	7,694	
			Mid		Mid	DAX 30	16,470	
30 day bank bills			5.65%		4.16%	Nikkei	32,759	
90 day bank bills			5.71%		4.33%	COMMODITIES		
1 year swap			5.83%		4.39%		USD	
2 year swap			5.49%		4.29%	Brent Crude	84.99	
3 year swap			5.15%		4.16%	Gold	1,959.20	
5 year swap			4.78%		4.25%	Silver	24.33	
10 year swap			4.63%		4.49%	Iron Ore	112.69	
3 year Govt bond			5.07%		3.93%	CRB Index	313.20	
5 year Govt bond			4.84%		3.92%		NZD	
10 year Govt bond			4.80%		4.14%	NZ Carbon	60.00	

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