

Market Alert

Tuesday 1 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6205	-0.0001
NZD/AUD	0.9244	-0.0057
NZD/JPY	88.30	-2.62
NZD/EUR	0.5645	-0.0055
NZD/GBP	0.4834	-0.0001
NZD/CNH	4.4353	-0.0746
AUD/USD	0.6714	0.0040
AUD/EUR	0.6105	-0.0023
EUR/USD	1.0994	0.0105
USD/CNH	7.1457	-0.1193
GBP/USD	1.2835	-0.0001
EUR/GBP	0.8565	0.0081

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.31%
2 year swap	5.47%	4.26%
10 year Govt	4.78%	4.12%

Following the trend ...

... Eurozone annual inflation slowed for a third consecutive month to 5.3% in July from 5.5% in June, which was in line with forecasts, although the core inflation rate was unchanged at 5.5%, slightly above forecasts at 5.4%. There was also further good news after Q2 GDP exceeded the 0.2% forecast to reach 0.3%, which generated an annualised 0.6%, although there were concerns about the strength of the recovery given over half of the growth was generated via Ireland. For the data-dependent ECB, this GDP print was not sufficiently dovish to rule out a September hike while ECB President, Christine Lagarde, maintained her bullish tone when she announced, "A pause, whenever it occurs, in September or later, would not necessarily be definitive."

Last night was data lite in the US, with Chicago PMIs rising to 42.8 in July from

41.5, while the Dallas Fed manufacturing index improved to -22.5 from -23.2.

Japan still remains in most traders 'crosshairs' after the BoJ's Q2 economic report highlighted, "Japan's economy is likely to continue recovering moderately. The rate of increase in CPI is likely to decelerate, but it is projected to accelerate again moderately as the output gap improves and as medium- to long-term inflation expectations and wage growth rises. There are high uncertainties for Japan's economic activity and prices. The balance of risks to economic activity are skewed to the downside. Risks to prices are skewed to the upside." Meanwhile, following Friday's YCC decision, the BoJ announced offers to buy an unlimited amount of 5 to 10-year JGB's, but despite this offer of intervention, the 10-year yield firmed to the 0.61% level, its highest level since 2014. Finally, Japanese consumer confidence increased to 37.1 in July from 36.2.

Chinese July manufacturing PMIs received a modest boost printing at 49.3, against an expected 49.2, although services fell to 51.5 from 53.2 which saw the composite compress from 52.5 to 51.1.

The Australian private inflation gauge, as per the Melbourne Institute, highlighted a re-acceleration in July to 0.8% from June's 0.1% although, on an annual basis, the projection fell from 5.7% to 5.4%. The core 'trimmed mean' jumped from June's 0.2% to 0.6% as the year-on-year print flatlined at 5.1%. Finally, June private credit grew at a modest 0.2% against a forecast 0.4% jump.

New Zealand July business confidence improved to -13.1% from June's -18.0%.

Are the US rate hikes finally starting to bite?

They are if you work at the US trucking company Yellow, which shut down yesterday, putting 30k jobs at risk.

Bonds traders are also bracing themselves for a busy week, with the US set to boost its quarterly refunding of longer-term Treasuries with USD102bn due to be issued this week.

Shipping is, apparently, staring at a cyclical downturn with global freight rates near breakeven levels, while global orders for new ships have hit a record, approaching USD90bn according to one estimate.

China has, once again, signalled further attempts to boost consumption, although they, once again, stopped short of direct fiscal support. The measures come after economic activity lost further momentum in July with factory activity still in contraction territory as services weakened.

Ahead of this afternoon's RBA decision and Friday's US employment data, markets 'tread water.' International equity markets posted modest gains, bond yields eased back slightly, while the NZD and AUD cemented in yesterday's gains. The 'excitement' was restricted to commodity markets, where oil prices jumped 1.5%, although wheat prices fell -5.5% as increased US supply capped Ukrainian concerns.



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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	71.10					CAD	0.8178	0.8849
NZD/USD	0.6205	0.0000	0.0000	-0.0001	-0.0018	CHF	0.5412	0.5856
NZD/AUD	0.9244	-0.0011	-0.0029	-0.0057	-0.0110	CNY	4.4411	4.8090
NZD/JPY	88.30	-0.46	-1.27	-2.62	-5.14	DKK	4.2049	4.5498
NZD/EUR	0.5645	-0.0009	-0.0025	-0.0055	-0.0115	FJD	1.3578	1.4691
NZD/GBP	0.4834	-0.0001	-0.0001	-0.0001	-0.0002	HKD	4.8393	5.2362
						KRW	792.47	857.48
AU TWI	61.30					MYR	2.7966	3.0260
AUD/USD	0.6714	0.0008	0.0021	0.0040	0.0060	NOK	6.2881	6.8039
AUD/NZD	1.0815	0.0011	0.0032	0.0064	0.0114	SEK	6.5243	7.0595
AUD/JPY	95.52	-0.40	-1.09	-2.24	-4.51	SGD	0.8250	0.8926
AUD/EUR	0.6105	-0.0004	-0.0009	-0.0023	-0.0054	TWD	19.53	21.13
AUD/GBP	0.5230	0.0005	0.0015	0.0031	0.0059	ZAR	11.08	11.99
USD Index	101.88					EQUITIES		
EUR/USD	1.0994	0.0018	0.0049	0.0105	0.0193		Index	
USD/JPY	142.26	-0.75	-2.05	-4.16	-7.96	NZX50	12,056	
GBP/USD	1.2835	0.0002	0.0002	-0.0001	-0.0033	ASX200	7,410	
EUR/GBP	0.8565	0.0012	0.0036	0.0081	0.0170	Dow Jones	35,450	
						S&P 500	4,579	
INTEREST RATES			New Zealand		Australia	FTSE100	7,699	
			Mid		Mid	DAX 30	16,447	
30 day bank bills			5.66%		4.15%	Nikkei	33,172	
90 day bank bills			5.71%		4.31%	COMMODITIES		
1 year swap			5.81%		4.41%		USD	
2 year swap			5.47%		4.28%	Brent Crude	85.56	
3 year swap			5.12%		4.15%	Gold	1,965.49	
5 year swap			4.74%		4.25%	Silver	24.73	
10 year swap			4.58%		4.45%	Iron Ore	112.69	
3 year Govt bond			5.05%		3.91%	CRB Index	315.23	
5 year Govt bond			4.81%		3.90%		NZD	
10 year Govt bond			4.78%		4.12%	NZ Carbon	59.75	

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