

Market Alert

Thursday 10 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6060	0.0000
NZD/AUD	0.9269	-0.0059
NZD/JPY	87.10	-2.61
NZD/EUR	0.5521	-0.0053
NZD/GBP	0.4760	-0.0003
NZD/CNH	4.3793	-0.0727
AUD/USD	0.6539	0.0041
AUD/EUR	0.5954	-0.0020
EUR/USD	1.0979	0.0105
USD/CNH	7.2250	-0.1193
GBP/USD	1.2728	0.0004
EUR/GBP	0.8624	0.0078

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.23%
2 year swap	5.47%	4.16%
10 year Govt	4.85%	4.06%

Steady as she blows!

Financial markets were generally quiet ahead of tomorrow's US CPI release as they continued August's 'steady Eddie' approach with European markets posting modest gains while US bourses were slightly weaker. Commodities were mixed although WTI oil prices advanced towards USD84 per barrel, their highest level since November 2022 amid growing concerns of low supply. FX markets are practically unchanged after the USD-index failed its test at the 102.50 level to be unchanged on the day although it should be noted USD/JPY is consolidating above the 143.50 level at 143.65.

With a record amount of US issuance required this month and into year end, last night's first real test, the 3-year auction was 'well received' by investors which saw the 3-year on-the-run yield fall below its pre-auction level. Tonight, the US Treasury will attempt to sell USD38bn of 10-year notes, whose auctions have been less than stellar recently. Despite the US 10-year yield reaching 4.20% last week, the overnight price action saw yield ease back a further 1bp to reach the 4.01% level.

China's consumer prices fell for the first time in 2-years as fears of a deflation spiral continued to build after Chinese producer and consumer prices both contracted in unison for the first time since November 2020. CPI prices increased 0.2% on the month but fell -0.3% in the 12-months to July, against forecasts at -0.1% and -0.4% respectively, while the cost of food fell -1.7% after rising continuously over the prior 15-months. Chinese factory gate prices also extended their falls for the 10th straight month, falling -4.4% on the year following June's -5.4% drop, which was the steepest decrease since December 2015.

NZ electronic retail sales were flat in July following last month 1.0% while local inflation expectations eased back from 4.4% to 4.2% in 1-year, although the 2-year forecast increased from 2.79% to

2.83%. But don't worry, your local banker is quite prepared to continue supporting through these difficult times, although it will cost you if the latest announcements are to be believed after one of the local banks posted a new record profit for their financial year! Still, if times get tough for the bankers, they can always get jobs at UPS as those drivers are currently negotiating a wage rise from USD145k to USD175k per year!

Everyone is getting bullish on Australia!

S&P appears to have a favourable approach on Australia announcing, "It is possible, but not certain, that the Australian economy can manage a 'soft landing' with inflation decreasing to the RBA's target range. The key risk is that inflation in Australia is stickier than expected and the RBA has to hike interest rates more strongly. We expect continued expansion in 2023 and 2024 and unemployment to rise moderately. If the rise in Australian unemployment rate can be limited to around one percentage point, economic and financial fallout should remain manageable." Interestingly, one of the major European banks has raised their AUD/USD call, suggesting it may return to the 0.69 level by Q4!



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Daily Rates

Thursday 10 August 2023

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	70.50					CAD	0.8127 0.8771
NZD/USD	0.6060	0.0000	0.0000	0.0000	-0.0012	CHF	0.5314 0.5735
NZD/AUD	0.9269	-0.0010	-0.0031	-0.0059	-0.0115	CNY	4.3698 4.7136
NZD/JPY	87.10	-0.43	-1.27	-2.61	-5.08	DKK	4.1122 4.4372
NZD/EUR	0.5521	-0.0008	-0.0026	-0.0053	-0.0110	FJD	1.3383 1.4441
NZD/GBP	0.4760	-0.0001	-0.0002	-0.0003	-0.0004	HKD	4.7395 5.1142
						KRW	795.62 858.51
AU TWI	60.70					MYR	2.7682 2.9870
AUD/USD	0.6539	0.0007	0.0022	0.0041	0.0064	NOK	6.1764 6.6645
AUD/NZD	1.0785	0.0011	0.0034	0.0067	0.0127	SEK	6.4664 6.9775
AUD/JPY	93.96	-0.36	-1.08	-2.24	-4.40	SGD	0.8153 0.8798
AUD/EUR	0.5954	-0.0002	-0.0009	-0.0020	-0.0047	TWD	19.22 20.74
AUD/GBP	0.5136	0.0005	0.0015	0.0030	0.0060	ZAR	11.49 12.40
USD Index	102.46					EQUITIES	
EUR/USD	1.0979	0.0016	0.0048	0.0105	0.0196		Index
USD/JPY	143.66	-0.71	-2.10	-4.30	-8.15	NZX50	11,838
GBP/USD	1.2728	0.0002	0.0004	0.0004	-0.0020	ASX200	7,338
EUR/GBP	0.8624	0.0011	0.0035	0.0078	0.0167	Dow Jones	35,269
						S&P 500	4,486
INTEREST RATES			New Zealand		Australia	FTSE100	7,587
			Mid		Mid	DAX 30	15,853
30 day bank bills			5.65%		4.10%	Nikkei	32,204
90 day bank bills			5.68%		4.23%	COMMODITIES	
1 year swap			5.79%		4.29%		USD
2 year swap			5.47%		4.17%	Brent Crude	87.55
3 year swap			5.14%		4.04%	Gold	1,915.83
5 year swap			4.80%		4.15%	Silver	22.69
10 year swap			4.66%		4.40%	Iron Ore	104.41
3 year Govt bond			5.09%		3.78%	CRB Index	315.50
5 year Govt bond			4.86%		3.79%		NZD
10 year Govt bond			4.85%		4.06%	NZ Carbon	60.75

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