

Market Alert

Friday 18 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5927	-0.0001
NZD/AUD	0.9257	-0.0060
NZD/JPY	86.34	-2.58
NZD/EUR	0.5455	-0.0052
NZD/GBP	0.4650	0.0002
NZD/CNH	4.3316	-0.0677
AUD/USD	0.6401	0.0040
AUD/EUR	0.5890	-0.0019
EUR/USD	1.0865	0.0100
USD/CNH	7.3078	-0.1135
GBP/USD	1.2741	-0.0008
EUR/GBP	0.8525	0.0083

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.67%	4.21%
2 year swap	5.64%	4.25%
10 year Govt	5.15%	4.36%

Crikey!

The Australian jobs report out yesterday painted a less-than-rosy picture with the headline unemployment rate climbing from 3.5% to 3.7% in July. The AUD, already under pressure from Chinese risk aversion and USD buying, was punished, breaking below 0.6400 to as low as 0.6364 on the result, its lowest level since November.

Total employment contracted by 14,600, well down on June's 32,600 expansion, and with the participation rate falling from 66.8% to 66.7%, this makes the jobs report even more dire. Full time employment saw 24,200 fewer jobs, while part time employment rose 9,600. Under-utilization rate is back to March 2022 highs at 10.1% and is another indication of weakness.

There was volatility elsewhere in markets, with Asian equities down at the open by around 1-2%. Hong Kong's Hang Seng index opened nearly 2.0% lower, putting it down 20.0% from January's high and into bear market territory, however, equity markets managed to rally throughout the session as Chinese state owned banks intervened to buy the Chinese yuan. Rumours are circulating that Chinese authorities have told funds and banks not to sell stocks.

The CNH was crushed in early trading on worries about the health of the Chinese economy, and as the USD found another leg higher, driven by long term US rates. The USD/CNH stopped just short of 7.3500, its highest level since, you guessed it, November! The PBOC set the USD/CNY reference rate nearly 10 big figures under the estimated rate, its most aggressive setting divergence so far in this round of yuan weakness and a sign it wants to slow the descent of the currency. The yuan buying continued, sending the USD/CNH down to 7.3080 currently.

US rates continue to climb, with the 10-year Treasury yield hitting 4.328%, just a whisker short of the November (that month again!) high at 4.335%, although the rally faded as markets were a bit more subdued overnight. The GBP was one of the few to eek out a gain against the USD (apart from the yuan), which saw NZD/GBP and AUD/GBP fall to 0.4650 and 0.5023 respectively.

Chatty man

The RBNZ Governor, Adrian Orr, has been doing the rounds following the no-change OCR call at yesterday's MPS. He said New Zealand's economy needs a mild recession at the very least to slow activity before policymakers could consider reducing interest rates. "We need to see subdued consumer spending, business investment and government constraints on spending" he added.

Don't expect cuts any time soon is the message, as "we believe if we stay where we are for long enough, inflation will be back inside the target band mid-next year and stay there." Orr said the OCR track is a projection and "not us trying to provide a signal or constraint," before adding that over two years it deviates very little from 5.50%. Markets have currently priced around a 50% chance of another rate hike.

In a sign of cooling inflation, NZ PPI input prices fell -0.2% in the June quarter, down from +0.2% in March, while output prices rose +0.2%, well short of expectations for a +0.7% rise.

Oops I did it again

On the back of higher US Treasury yields, the benchmark US 30 year mortgage rate hit 7.55%, its highest since 2000, the same year Britney's hit was released...



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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	69.70					CAD	0.8026	0.8671
NZD/USD	0.5927	0.0000	-0.0001	-0.0001	-0.0007	CHF	0.5210	0.5628
NZD/AUD	0.9257	-0.0011	-0.0031	-0.0060	-0.0115	CNY	4.3159	4.6618
NZD/JPY	86.34	-0.43	-1.26	-2.58	-5.04	DKK	4.0641	4.3891
NZD/EUR	0.5455	-0.0008	-0.0024	-0.0052	-0.0106	FJD	1.3271	1.4333
NZD/GBP	0.4650	-0.0001	-0.0001	0.0002	0.0010	HKD	4.6408	5.0119
						KRW	793.42	856.88
AU TWI	59.90					MYR	2.7561	2.9765
AUD/USD	0.6401	0.0007	0.0020	0.0040	0.0069	NOK	6.2798	6.7820
AUD/NZD	1.0800	0.0011	0.0034	0.0067	0.0133	SEK	6.4790	6.9971
AUD/JPY	93.24	-0.35	-1.06	-2.22	-4.39	SGD	0.8051	0.8694
AUD/EUR	0.5890	-0.0002	-0.0007	-0.0019	-0.0045	TWD	18.93	20.45
AUD/GBP	0.5022	0.0004	0.0015	0.0034	0.0073	ZAR	11.32	12.22
USD Index	103.49					EQUITIES		
EUR/USD	1.0865	0.0016	0.0047	0.0100	0.0197		Index	
USD/JPY	145.72	-0.71	-2.11	-4.35	-8.39	NZX50	11,652	
GBP/USD	1.2741	0.0002	-0.0001	-0.0008	-0.0043	ASX200	7,146	
EUR/GBP	0.8525	0.0011	0.0035	0.0083	0.0185	Dow Jones	34,487	
						S&P 500	4,367	
INTEREST RATES			New Zealand		Australia	FTSE100	7,310	
			Mid		Mid	DAX 30	15,677	
30 day bank bills			5.64%		4.10%	Nikkei	31,626	
90 day bank bills			5.67%		4.21%	COMMODITIES		
1 year swap			5.83%		4.30%		USD	
2 year swap			5.64%		4.26%	Brent Crude	83.82	
3 year swap			5.35%		4.16%	Gold	1,888.60	
5 year swap			5.06%		4.34%	Silver	22.66	
10 year swap			4.96%		4.62%	Iron Ore	104.81	
3 year Govt bond			5.29%		4.00%	CRB Index	307.31	
5 year Govt bond			5.10%		4.06%		NZD	
10 year Govt bond			5.15%		4.36%	NZ Carbon	62.50	

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