

# Market Alert

Wednesday 27 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5945	-0.0001
NZD/AUD	0.9295	-0.0060
NZD/JPY	88.59	-2.63
NZD/EUR	0.5628	-0.0049
NZD/GBP	0.4889	-0.0007
NZD/CNH	4.3480	-0.0427
AUD/USD	0.6396	0.0040
AUD/EUR	0.6053	-0.0016
EUR/USD	1.0563	0.0089
USD/CNH	7.3117	-0.0712
GBP/USD	1.2157	0.0014
EUR/GBP	0.8687	0.0062

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.75%	4.19%
2 year swap	5.68%	4.32%
10 year Govt	5.31%	4.48%

## Here we go again ...

And while that would be a good name for a song, we are once again approaching another Washington tug-of-war over the budget, with the pending threat of a US government shutdown on the 1st of October if a compromise isn't achieved. While a compromise will ultimately be achieved, one wag put it best when they said, "The only question is what chaos will ensue before that happens. And we're on a path for maximum chaos, have no doubt." The latest news is that the Senate is negotiating a short-term stop-gap deal for 4 to 6 weeks of funding beyond the October deadline.

Global stock markets were -0.5% to -1.5% lower overnight as continued concerns about rising interest rates and inflation weighed on sentiment while a couple of comments from a couple of prominent

business leaders added to the pessimistic tone. First up was JPMorgan CEO Jamie Dimon who warned, "The world may not be ready for a worst-case scenario of the Fed hiking to 7.0% along with stagflation. The difference between 5.0% and 7.0% would be a lot more painful than going from 3.0% to 5.0%," while Minneapolis Fed President Neel Kashkari stated, "After potentially one more 25bp federal funds rate increase later this year, the FOMC will hold policy at this level long enough to bring inflation back to target in a reasonable period of time. We still have more work to do on services inflation." Finally, the ECB's Robert Holzmann advised, "It's unclear whether we are at peak rates yet. We can't exclude further rate hikes as there are still topside inflation risks."

The US data didn't help either after new single-family home sales fell by -8.7% to a seasonally adjusted 675k units while consumer confidence dropped to 103.0 in September from 108.7 in August. On a positive note, home sales increased by 5.8% on the year.

In amongst the carnage of equity markets, which saw the S&P fall to a 3-month low, treasuries continued their downward trajectory ahead of this week's USD134bn auction which saw the 2-year and 10-year yields firm to 5.14% and 4.56%, respectively, while oil prices climbed higher as Brent gained 0.3% to USD96.50. The higher yields supported the USD-index as it rallied to a 10-month high strengthened 0.3% against the AUD and the EUR, while the NZD/USD was flat.

## Has anyone actually boiled a frog?

This is a new one ... JP Morgan announced, "Our 'boiling the frog' narrative incorporates a tension between near-term forces promoting resilience and the seeds being sown for an eventual end to the expansion. The Fed's forecasts last week embraced both sustained growth resiliency and disinflation in projections that presented a genuine soft-landing scenario. However, the overriding message received by markets from central banks is that policy rates will need to remain high-for-long—a signal that aligns with our boiling-the-frog outcome."

After the lacklustre performance of the BoJ last week, and after the PPI release exceeded the 1.8% forecast to reach 2.1%, Japanese Finance Minister Shunichi Suzuki thought it was time for some comments on the JPY stating, "We are closely watching FX moves with a great sense of urgency. Won't rule out any steps to respond to disorderly FX moves. Excessive FX volatility is undesirable."

Finally, PBoC member Li Daokui suggested China's property market could take as long as a year to recover, while Chevron CEO Mike Wirth confirmed, "I think the oil price risk remains more to the upside than the downside."



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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	70.70					CAD	0.8039	0.8649
NZD/USD	0.5945	0.0000	0.0000	-0.0001	-0.0012	CHF	0.5440	0.5853
NZD/AUD	0.9295	-0.0011	-0.0029	-0.0060	-0.0118	CNY	4.3471	4.6753
NZD/JPY	88.59	-0.46	-1.28	-2.63	-5.26	DKK	4.1953	4.5138
NZD/EUR	0.5628	-0.0008	-0.0022	-0.0049	-0.0109	FJD	1.3285	1.4293
NZD/GBP	0.4889	-0.0001	-0.0002	-0.0007	-0.0021	HKD	4.6499	5.0027
						KRW	803.90	864.89
AU TWI	60.70					MYR	2.7870	2.9984
AUD/USD	0.6396	0.0007	0.0020	0.0040	0.0062	NOK	6.4372	6.9255
AUD/NZD	1.0754	0.0012	0.0032	0.0065	0.0118	SEK	6.5596	7.0572
AUD/JPY	95.29	-0.39	-1.09	-2.23	-4.50	SGD	0.8139	0.8757
AUD/EUR	0.6053	-0.0001	-0.0005	-0.0016	-0.0042	TWD	19.15	20.60
AUD/GBP	0.5259	0.0005	0.0014	0.0026	0.0044	ZAR	11.33	12.19
USD Index	106.24					<b>EQUITIES</b>		
EUR/USD	1.0563	0.0014	0.0041	0.0089	0.0186		<b>Index</b>	
USD/JPY	148.99	-0.76	-2.16	-4.38	-8.52	NZX50	11,343	
GBP/USD	1.2157	0.0002	0.0005	0.0014	0.0019	ASX200	7,038	
EUR/GBP	0.8687	0.0010	0.0029	0.0062	0.0132	Dow Jones	33,601	
						S&P 500	4,277	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,626	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,256	
30 day bank bills			5.66%		4.11%	Nikkei	32,315	
90 day bank bills			5.75%		4.19%	<b>COMMODITIES</b>		
1 year swap			5.87%		4.35%		<b>USD</b>	
2 year swap			5.68%		4.33%	Brent Crude	93.99	
3 year swap			5.43%		4.25%	Gold	1,900.39	
5 year swap			5.16%		4.43%	Silver	22.89	
10 year swap			5.07%		4.70%	Iron Ore	121.18	
3 year Govt bond			5.50%		4.10%	CRB Index	320.98	
5 year Govt bond			5.32%		4.16%		<b>NZD</b>	
10 year Govt bond			5.31%		4.48%	NZ Carbon	64.00	

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