

# Market Alert

Monday 16 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5908	0.0001
NZD/AUD	0.9364	-0.0062
NZD/JPY	87.98	-2.60
NZD/EUR	0.5599	-0.0048
NZD/GBP	0.4866	-0.0006
NZD/CNH	4.3159	0.0000
AUD/USD	0.6299	0.0042
AUD/EUR	0.5992	-0.0013
EUR/USD	1.0509	0.0091
USD/CNH	7.3115	-0.0784
GBP/USD	1.2135	0.0014
EUR/GBP	0.8649	0.0064

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.74%	4.20%
2 year swap	5.65%	4.19%
10 year Govt	5.54%	4.55%

## It's a step to the right ...

... as sung by The Rocky Horror Picture Show. What a Time Warp!

I don't think the politics of the weekend were too much of a surprise with New Zealand voting for change taking a step to the right with National and ACT likely to form a government with NZ First waiting in the wings to come to the rescue if needed, while in Australia the 'Voice' referendum was rejected.

But the real 'feel-good' factor of the weekend came on Sunday morning when a certain Wayne Barnes blew his whistle to end the ABs vs. Ireland game. It was a game for the ages, and one that will go down in the history but before we all start getting carried away, let's remember it's just the quarter final and we've still got a couple of games to go.

Markets on Friday maintained their 'risk-off' mode driven by predominately weaker data. From the US, the University of Michigan consumer sentiment index fell to its lowest level in 5-months from 68.1 to 63.0 in October and below estimates at 67.2, while import prices edged up 0.1% in September. In China, inflation firmed 0.2% in September, although it was a touch below the 0.3% expected while exports fell for the 5th consecutive month by -6.2% to USD299.13bn.

This saw equity markets weaken as investors diversified into bonds with the US 2 and 10-year yields falling 2bps and 10bps to 5.06% and 4.61% respectively. Commodity prices also rallied, with oil prices surging 6.0%, while the USD-index also attracted safe-haven flows to close above the 107.00 level. This saw the NZD/USD and AUD/USD sold, although it should be noted that the NZD/USD has rallied back above the 0.5900 level on the open to be at 0.5910 as the clear election results propels it higher.

## Last Friday highlighted the weakness in the local economy ...

... with September manufacturing PMIs remaining deeply contractionary falling to 45.3 from August's 46.1, while NZ electronic retail card spending fell -0.8% in September following August's strong 0.7% gain. On the year card spending increased 1.6%.

The IMF suggested the JPY remains "driven by fundamentals. As long as interest rate differentials remain, the yen will

continue to face pressure," while ECB President Christine Lagarde announced, "Core inflation remains at elevated levels with employees demanding compensation for the loss in purchasing power amid tight labour markets, which has resulted in historically high wage growth. It's not a question of being hawkish or dovish, but it requires to be patient as supply shocks reverse and new shocks arrive and be attentive to ensure that inflation expectations remain anchored when inflation is still too high."

An AFR report found that while the "RBA likes to spin that most borrowers are fine, between 15%- 20% are in trouble. Currently 13% of borrowers cannot afford to make their debt repayments, up from a mere 3% last year."

## The week ahead

This week the focus will be on the US earnings season while we also have retail sales, building and housing data, and industrial production. We also have inflation updates from the UK, Canada, Japan, and New Zealand, while China will be releasing its Q3 GDP growth rate, retail sales, industrial production, fixed asset investment, unemployment rate, and house price index. Finally, the UK will release its unemployment rate and retail sales figures, while Germany will release their ZEW Economic Sentiment Index.



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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	70.50					CAD	0.8069	0.8599
NZD/USD	0.5908	0.0000	0.0001	0.0001	-0.0010	CHF	0.5325	0.5667
NZD/AUD	0.9364	-0.0011	-0.0033	-0.0062	-0.0120	CNY	4.3046	4.5986
NZD/JPY	87.98	-0.44	-1.33	-2.60	-5.14	DKK	4.1920	4.4694
NZD/EUR	0.5599	-0.0007	-0.0024	-0.0048	-0.0106	FJD	1.3321	1.4203
NZD/GBP	0.4866	-0.0001	-0.0003	-0.0006	-0.0016	HKD	4.6227	4.9286
						KRW	798.89	851.76
AU TWI	59.80					MYR	2.7915	2.9763
AUD/USD	0.6299	0.0007	0.0022	0.0042	0.0070	NOK	6.4400	6.8662
AUD/NZD	1.0672	0.0011	0.0036	0.0069	0.0134	SEK	6.5117	6.9427
AUD/JPY	94.12	-0.36	-1.10	-2.18	-4.35	SGD	0.8085	0.8620
AUD/EUR	0.5992	-0.0001	-0.0005	-0.0013	-0.0038	TWD	19.02	20.28
AUD/GBP	0.5188	0.0005	0.0015	0.0028	0.0049	ZAR	11.21	11.96
USD Index	106.67					<b>EQUITIES</b>		
EUR/USD	1.0509	0.0013	0.0046	0.0091	0.0182		<b>Index</b>	
USD/JPY	149.55	-0.74	-2.27	-4.42	-8.46	NZX50	11,266	
GBP/USD	1.2135	0.0002	0.0008	0.0014	0.0018	ASX200	7,051	
EUR/GBP	0.8649	0.0009	0.0032	0.0064	0.0133	Dow Jones	33,670	
						S&P 500	4,328	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,600	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,187	
30 day bank bills			5.65%		4.11%	Nikkei	32,316	
90 day bank bills			5.74%		4.20%	<b>COMMODITIES</b>		
1 year swap			5.84%		4.26%		<b>USD</b>	
2 year swap			5.65%		4.20%	Brent Crude	90.89	
3 year swap			5.44%		4.14%	Gold	1,931.70	
5 year swap			5.23%		4.39%	Silver	22.70	
10 year swap			5.17%		4.75%	Iron Ore	118.57	
3 year Govt bond			5.52%		4.01%	CRB Index	320.75	
5 year Govt bond			5.45%		4.11%		<b>NZD</b>	
10 year Govt bond			5.54%		4.55%	NZ Carbon	67.65	

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