

Market Alert

Wednesday 18 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5902	0.0001
NZD/AUD	0.9289	-0.0058
NZD/JPY	88.26	-2.60
NZD/EUR	0.5596	-0.0048
NZD/GBP	0.4838	-0.0005
NZD/CNH	4.3193	-0.0448
AUD/USD	0.6352	0.0040
AUD/EUR	0.6021	-0.0015
EUR/USD	1.0546	0.0091
USD/CNH	7.3177	-0.0803
GBP/USD	1.2196	0.0013
EUR/GBP	0.8645	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.73%	4.20%
2 year swap	5.61%	4.28%
10 year Govt	5.54%	4.64%

Headline inflation at 2-year low

Yesterday's Headline CPI inflation number came in at a 2-year low of 5.6%, better than market expectations of 6.0-6.2%. While this headline figure is an improvement from June's 6.0%, looking into further detail at some of the numbers didn't paint as rosy a picture. Quarter on quarter inflation was 1.8%, higher than the previous three quarters. One notable component was fuel prices, which increased 16.5% in the September quarter. Another was the rise in food of 8.8%, although it should be noted that this has come off a little from last prints read at 12.8%. Following yesterday's inflation release, markets have now pushed out their expectations of a rate hike until early 2024.

Last night's GDT auction saw a 4.3% increase, with anhydrous milk fat, skim milk powder, and whole milk powder up 7.1%, 4.3%, and 4.2%, respectively. Butter was up 2.9%, and lactose and cheddar were both up 0.2% each. Butter milk powder was not on offer. This was the fourth consecutive increase for the GDT auction. Overall, these results showed no major unexpected movements.

The US economy shows no signs of slowing down, retail sales came in higher than expectations of 0.3%, increasing 0.7% in September, Industrial production increased by 0.3%, beating expectations of 0.0%. These factors contributed to Goldman Sachs increasing its GDP growth estimate to 4.0%. The recent strong economic data out of the US now has markets pricing in a 50.0% chance of a rate hike by early 2024.

Canada's CPI came in lower than expected at 3.8% against forecasts of 4.0% for the year. The figure was lower than last month's 4.0%, increasing the expectation that the central bank will refrain from another rate hike later this month.

Treasury yields jumped overnight, with 2 and 10-year yields increasing by 11bp and 14bp, to be at 5.21% and 4.85% respectively. The last time the 2-year was above 5.20% was in the middle of 2006, and we all know what happened after that...

Following these respective data prints, the NZD weakened below 0.5900 after it showed signs of strengthening to as high as 0.5929.

The RBA released their meeting minutes, with hawkish statements such as "low tolerance for a slower return to target," and "further tightening may be required if inflation is more persistent." Against these statements, the AUD jumped to 0.6380 before managing to close at 0.6342.



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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	70.30					CAD	0.8044	0.8658
NZD/USD	0.5902	0.0000	0.0001	0.0001	-0.0007	CHF	0.5317	0.5724
NZD/AUD	0.9289	-0.0010	-0.0030	-0.0058	-0.0107	CNY	4.3160	4.6431
NZD/JPY	88.26	-0.45	-1.32	-2.60	-5.15	DKK	4.1740	4.4923
NZD/EUR	0.5596	-0.0007	-0.0024	-0.0048	-0.0104	FJD	1.3263	1.4274
NZD/GBP	0.4838	-0.0001	-0.0003	-0.0005	-0.0014	HKD	4.6147	4.9666
						KRW	798.23	859.09
AU TWI	59.90					MYR	2.7928	3.0058
AUD/USD	0.6352	0.0007	0.0022	0.0040	0.0065	NOK	6.4531	6.9451
AUD/NZD	1.0759	0.0012	0.0034	0.0062	0.0119	SEK	6.4523	6.9443
AUD/JPY	94.93	-0.38	-1.12	-2.23	-4.51	SGD	0.8077	0.8693
AUD/EUR	0.6021	-0.0001	-0.0006	-0.0015	-0.0044	TWD	19.05	20.50
AUD/GBP	0.5207	0.0005	0.0014	0.0026	0.0045	ZAR	11.10	11.95
USD Index	106.32					EQUITIES		
EUR/USD	1.0546	0.0014	0.0047	0.0091	0.0183		Index	
USD/JPY	149.52	-0.76	-2.27	-4.43	-8.54	NZX50	11,214	
GBP/USD	1.2196	0.0002	0.0008	0.0013	0.0015	ASX200	7,059	
EUR/GBP	0.8645	0.0010	0.0032	0.0064	0.0134	Dow Jones	33,985	
						S&P 500	Access Denie	
INTEREST RATES			New Zealand		Australia	FTSE100	7,631	
			Mid		Mid	DAX 30	15,238	
30 day bank bills			5.65%		4.11%	Nikkei	31,659	
90 day bank bills			5.73%		4.20%	COMMODITIES		
1 year swap			5.80%		4.34%		USD	
2 year swap			5.61%		4.33%	Brent Crude	89.65	
3 year swap			5.42%		4.28%	Gold	1,914.20	
5 year swap			5.22%		4.53%	Silver	22.49	
10 year swap			5.23%		4.84%	Iron Ore	119.25	
3 year Govt bond			5.48%		4.15%	CRB Index	319.08	
5 year Govt bond			5.43%		4.24%		NZD	
10 year Govt bond			5.54%		4.64%	NZ Carbon	0.00	

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