

Market Alert

Tuesday 31 October 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5840	0.0002
NZD/AUD	0.9156	-0.0048
NZD/JPY	86.97	-2.53
NZD/EUR	0.5499	-0.0047
NZD/GBP	0.4800	-0.0006
NZD/CNH	4.2765	-0.0558
AUD/USD	0.6377	0.0035
AUD/EUR	0.6005	-0.0020
EUR/USD	1.0616	0.0090
USD/CNH	7.3246	-0.0975
GBP/USD	1.2162	0.0017
EUR/GBP	0.8726	0.0061

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.64%	4.34%
2 year swap	5.57%	4.63%
10 year Govt	5.52%	4.88%

Now that Sunday's hang-over has subsided... almost...

... we can revert to 'business-as-usual' mode... and concentrate on the cricket!

Ahead of this week's BoJ and Fed meetings, and with non-farms on Saturday morning, equity markets opened the week with a 'bounce in their step', firming between 0.5% and 1.5%, even though the data was broadly mixed. Reading through the morning reports, the general rationale for the positive open to the week was the fact that Israel's widening ground offensive in Gaza has proceeded more cautiously than anticipated, implying the on-the-ground conflict will probably have a 'limited long-term impact on asset markets' unless it spreads. The on-the-ground conflict is expected to last anywhere from 6-weeks to 6-months.

The big news overnight was the surprising fall in German inflation, which fell to its lowest level since August 2021, October's year-on-year inflation dropped to 3.8%, from September's 4.5%. It was also below market forecasts at 4.0%, while the core rate also decreased to 4.3%. Unfortunately, Q3 GDP fell by -0.1% to sharply reverse Q2's upwardly revised 0.1%, at least it was better than the forecast -0.3%, but that dreaded word, stagflation, is now being mentioned in every article relating to Germany!!

Eurozone economic sentiment eased from 93.4 to 93.3 in October, although it was slightly better than the 93.0 forecasted, although it was the index's lowest print since November 2020. In the US, the Dallas Fed's October manufacturing index fell to -19.2 from -18.1.

Australian retail sales surged an incredible 0.9% in September against forecasts for a 0.3% increase, in what was the index's largest gain since January. It was also reported that the Free Trade negotiations between Australia and the EU have broken down, allegedly due to disagreements on agriculture tariffs.

With equity exchanges trading in the green, commodity reversed and traded into the red, oil prices came under selling pressure with Brent falling -2.8%, while WTI crude tumbled -3.4%. Ahead of this week's FOMC meeting treasury yields posted modest gains, with the 2 and 10-years firming 3bp to be at 5.05% and 4.88% respectively, although the USD-index eased a touch, which underpinned

the NZD and AUD as they both firmed 0.5%. The NZD/AUD is approaching a key support level, with a break opening up an extension towards the June lows.

From the 'rumour corner'!

ECB Governing Council member, Boris Vujcic, announced, "We have finished with the process of raising interest rates for now! At this moment we see that inflation is falling, we have a disinflation process. And after we conducted a series of measures to dampen lending, it has fallen."

The Nikkei reported the BoJ will debate a policy tweak to allow 10-year yields to exceed 1.00%. USD/JPY fell back below the 149.00 level on the rumour.

The International Finance Forum (IFF) announced that de-dollarisation is increasing, given the growing financial fragmentation risks, but there is still not a credible alternative to the US-dollar, despite yuan internalisation efforts.

GM has followed Stellantis and Ford's lead and tentatively reached a four-and-a-half year deal to end the US auto strikes.

Doesn't everyone make adjustments to their models to boost their compensation?

The SEC has launched an investigation into Two Sigma hedge fund, after a senior VP adjusted the hedge fund's investing models without authorisation in an attempt to boost his compensation. It led to losses in some funds, big gains in others and fresh regulatory scrutiny.



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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	69.30					CAD	0.8074	0.8813
NZD/USD	0.5840	0.0000	0.0001	0.0002	-0.0008	CHF	0.5265	0.5750
NZD/AUD	0.9156	-0.0009	-0.0026	-0.0048	-0.0085	CNY	4.2711	4.6670
NZD/JPY	86.97	-0.41	-1.30	-2.53	-4.99	DKK	4.1057	4.4832
NZD/EUR	0.5499	-0.0007	-0.0023	-0.0047	-0.0106	FJD	1.3127	1.4334
NZD/GBP	0.4800	-0.0001	-0.0002	-0.0006	-0.0019	HKD	4.5672	4.9872
						KRW	787.05	859.42
AU TWI	60.30					MYR	2.7798	3.0355
AUD/USD	0.6377	0.0006	0.0019	0.0035	0.0047	NOK	6.5061	7.1043
AUD/NZD	1.0917	0.0009	0.0029	0.0054	0.0085	SEK	6.5030	7.1009
AUD/JPY	94.97	-0.36	-1.16	-2.30	-4.63	SGD	0.7968	0.8700
AUD/EUR	0.6005	-0.0001	-0.0008	-0.0020	-0.0062	TWD	18.88	20.62
AUD/GBP	0.5242	0.0004	0.0012	0.0020	0.0028	ZAR	11.00	12.01
USD Index	106.15					EQUITIES		
EUR/USD	1.0616	0.0013	0.0044	0.0090	0.0187		Index	
USD/JPY	148.97	-0.71	-2.27	-4.40	-8.34	NZX50	10,742	
GBP/USD	1.2162	0.0002	0.0009	0.0017	0.0026	ASX200	6,773	
EUR/GBP	0.8726	0.0009	0.0030	0.0061	0.0129	Dow Jones	32,963	
						S&P 500	4,162	
INTEREST RATES			New Zealand		Australia	FTSE100	7,327	
			Mid		Mid	DAX 30	14,717	
30 day bank bills			5.60%		4.16%	Nikkei	30,697	
90 day bank bills			5.64%		4.34%	COMMODITIES		
1 year swap			5.73%		4.57%		USD	
2 year swap			5.57%		4.63%	Brent Crude	87.87	
3 year swap			5.39%		4.61%	Gold	1,997.91	
5 year swap			5.26%		4.90%	Silver	23.32	
10 year swap			5.36%		5.26%	Iron Ore	118.55	
3 year Govt bond			5.44%		4.37%	CRB Index	322.69	
5 year Govt bond			5.34%		4.50%		NZD	
10 year Govt bond			5.52%		4.88%	NZ Carbon	69.75	

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