

Market Alert

Monday 04 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6209	-0.0002
NZD/AUD	0.9285	-0.0046
NZD/JPY	91.12	-2.63
NZD/EUR	0.5702	-0.0050
NZD/GBP	0.4878	-0.0006
NZD/CNH	4.4185	0.0000
AUD/USD	0.6666	0.0030
AUD/EUR	0.6124	-0.0024
EUR/USD	1.0881	0.0087
USD/CNH	7.1228	-0.1007
GBP/USD	1.2700	0.0010
EUR/GBP	0.8561	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.42%
2 year swap	5.20%	4.27%
10 year Govt	5.08%	4.58%

Jerome Powell goes full Adrian Orr

Over the weekend Fed Chair Jerome Powell gave a speech in which he went a dollar-each-way announcing, "It would be premature to conclude with confidence that we have achieved a sufficiently restrictive stance, or to speculate on when policy might ease. We are prepared to tighten policy further if it becomes appropriate to do so." Although he then pivoted adding, "The strong actions we have taken have moved our policy rate well into restrictive territory, meaning that tight monetary policy is putting downward pressure on economic activity and inflation. Monetary policy is thought to affect economic conditions with a lag, and the full effects of our tightening have likely not yet been felt." In the Q&A session, he then doubled down adding,

"Inflation is still well-above target but moving in the right direction. We think the right thing to do right now is to move carefully. As long as unemployment remains low with wages rising, some spending will continue."

Fed colleague Austin Goolsbee added to the bearish sentiment stating, "We are on track to 2.0% inflation. Housing inflation is what I'm watching, and if it comes down to 2.0%, then we will be on the right path. The labour market is very strong but the biggest risks to the US economy would come from a 'meltdown' in China."

Meanwhile, across the pond, ECB and Bank of France Governor Francois Villeroy de Galhau was equally bearish stating, "Barring any shock, rate hikes are now over. The question of a cut may arise when the time comes during 2024, but not now: when a remedy is effective, you have to be patient enough on its duration."

In terms of the data releases, Friday saw the Atlanta Fed Q4 GDPNow ease from 1.8% to 1.2%, US factory activity shrank for a 13th straight month after the ISM manufacturing PMI printed unchanged at 46.7 in November, below forecasts of 47.6, while the Chinese Caixin manufacturing PMI remained in positive territory easing to 50.7 in November.

With the rhetoric from central bankers becoming 'more balanced' and with data releases undershooting expectations, financial markets continue to adjust their positioning to reflect lower interest rates. This was predominately reflected by a further fall in bond yields with the

US 2-year yield falling 16bps to 4.55%, while the US 10-year dropped 14bps to 4.21%, which will see NZ and AUD swap rates open lower this morning. The move in bond yields also weighed on the USD-index with the NZD and AUD being the major beneficiaries with NZD/USD opening above 0.6200 this morning. Equity markets also lost some of their momentum, although they did manage to close in positive territory, while gold was on track for its third weekly gain and oil held on to its recent losses.

Even though this Friday isn't the first Friday...

... in December, this week brings us the all-important US employment release with non-farm payrolls and the JOLTS Jobs openings. In addition we have the ISM services PMIs, preliminary prints for Michigan consumer confidence, along with factory orders and the latest trade numbers. We also have a BoC meeting, an inflation and PMI services update from China, industrial production and factory orders in Germany. It's also going to be a busy week in Australia with an RBA meeting followed by GDP, current account, trade, and a speech by the RBA's Head of Financial stability, although there's not much from New Zealand with Q3 building work, Q3 terms of trade, and the GDT auction.



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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	71.80					CAD	0.8364	0.9006
NZD/USD	0.6209	0.0001	0.0001	-0.0002	-0.0018	CHF	0.5384	0.5795
NZD/AUD	0.9285	-0.0009	-0.0024	-0.0046	-0.0082	CNY	4.4178	4.7541
NZD/JPY	91.12	-0.46	-1.30	-2.63	-5.04	DKK	4.2433	4.5645
NZD/EUR	0.5702	-0.0008	-0.0022	-0.0050	-0.0116	FJD	1.3557	1.4583
NZD/GBP	0.4878	-0.0001	-0.0003	-0.0006	-0.0017	HKD	4.8426	5.2091
						KRW	801.52	862.18
AU TWI	61.40					MYR	2.8946	3.1137
AUD/USD	0.6666	0.0007	0.0018	0.0030	0.0037	NOK	6.5841	7.0824
AUD/NZD	1.0742	0.0009	0.0026	0.0050	0.0086	SEK	6.4337	6.9206
AUD/JPY	97.94	-0.41	-1.16	-2.36	-4.63	SGD	0.8262	0.8888
AUD/EUR	0.6124	-0.0003	-0.0009	-0.0024	-0.0073	TWD	19.39	20.86
AUD/GBP	0.5247	0.0003	0.0010	0.0019	0.0026	ZAR	11.54	12.42
USD Index	103.19					EQUITIES		
EUR/USD	1.0881	0.0016	0.0043	0.0087	0.0182		Index	
USD/JPY	146.81	-0.75	-2.12	-4.15	-7.66	NZX50	11,368	
GBP/USD	1.2700	0.0004	0.0007	0.0010	0.0000	ASX200	7,073	
EUR/GBP	0.8561	0.0009	0.0026	0.0058	0.0134	Dow Jones	36,245	
						S&P 500	4,594	
						FTSE100	7,529	
						DAX 30	16,398	
						Nikkei	33,432	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			5.62%		4.35%			
90 day bank bills			5.67%		4.42%			
1 year swap			5.58%		4.40%			
2 year swap			5.20%		4.28%			
3 year swap			4.95%		4.19%			
5 year swap			4.76%		4.41%			
10 year swap			4.83%		4.70%			
3 year Govt bond			4.99%		4.13%			
5 year Govt bond			4.92%		4.21%			
10 year Govt bond			5.08%		4.58%			
						COMMODITIES		
							USD	
						Brent Crude	78.88	
						Gold	2,070.90	
						Silver	25.42	
						Iron Ore	130.46	
						CRB Index	308.07	
							NZD	
						NZ Carbon	75.50	

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