

Market Alert

Thursday 07 December 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6154 | -0.0002 |
| NZD/AUD | 0.9378 | -0.0051 |
| NZD/JPY | 90.63 | -2.63 |
| NZD/EUR | 0.5711 | -0.0049 |
| NZD/GBP | 0.4896 | -0.0006 |
| NZD/CNH | 4.4139 | -0.0592 |
| AUD/USD | 0.6560 | 0.0033 |
| AUD/EUR | 0.6087 | -0.0019 |
| EUR/USD | 1.0773 | 0.0087 |
| USD/CNH | 7.1727 | -0.0940 |
| GBP/USD | 1.2569 | 0.0011 |
| EUR/GBP | 0.8570 | 0.0061 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 5.50% | 4.35% |
| 90 day bills | 5.64% | 4.35% |
| 2 year swap | 5.18% | 4.15% |
| 10 year Govt | 4.83% | 4.29% |

The BoC delivers a measured response.

The BoC held its overnight cash rate at a 22-year high at 5% for a third consecutive meeting overnight, which was in line with market expectations. As was expected, the statement emphasised the BoC “is prepared to raise the policy rate further if needed” although the data “suggests the economy is no longer in excess demand” with evidence “further signs that monetary policy is moderating spending and relieving price pressures.”

In the US, the ADP job's data provided further evidence of a cooling US labour market after companies unexpectedly cut hiring with just 103k workers added to private payrolls in November, which was below October's downwardly

revised 106k and forecasts at 130k. In the other releases, the US trade gap widened to USD64.3bn in October to reach its highest level in 3-months, while the Atlanta Fed GDPNow Q4 forecast firmed to 1.3% from 1.2%.

In the Eurozone, retail sales jumped 0.1% in October although they were -1.2% lower on the year to undershoot expectations, while German factory orders unexpectedly slumped -3.7% on the month and -7.3% on the year highlighting the fragility of the manufacturing sector.

Finally, Australian GDP shrunk from 0.4% to 0.2% in the third quarter, which was well below the 0.5% forecast as the export and household sectors slowed more than anticipated.

The BoE stepped up its warnings about hedge funds shorting US Treasury futures with the net position currently larger than the March 2020 COVID 'dash-for-cash' crisis with shorts having grown to USD800bn from USD650bn in July. BoE Governor Andrew Bailey was also on the newswires stressing that, “The full impact of higher rates is yet to hit the UK economy. Rates are likely to remain around current levels given the outlook for inflation is uncertain. Businesses are under pressure due to the higher rates although borrowers remain resilient.”

Following the poor Eurozone retail sales and German manufacturing numbers, traders ramped up their positioning on 2024 ECB rate cuts, with the market at

one stage pricing in 150bps of cuts, while Deutsche Bank brought forward their first cut forecasts to April from June. Against this, the US continues to price in 115bps of cuts by 2024-year end, New Zealand is pricing in 50bps of cuts and Australia pricing in just one for the same period. Unsurprisingly bond yields were lower again, with the US 10-year yield 6bps lower at 4.12%, although the USD-index was flat around the 104.0 level with the NZD/USD the stronger performer as it firmed back above the 0.6150 level while the AUD/USD continued to consolidate above 0.6650. Oil pricing continued their trajectory lower, falling a further -3.5%, which saw WTI crude fall below the USD70.00 level for the first time since July, while gold prices posted modest gains. Equity markets also posted modest gains.

That's a quick about face!

Two months after being elected as the House majority speaker, Kevin McCarthy confirmed that he's had enough of the job and confirmed he won't run again in 2024.

CitiBank has warned trading profits could drop as much as 20% in Q4 although “FX has held up nicely.”

Wall Street CEOs spent the day testifying to the Senate Banking Committee attempting to make the case for watering down amendments to capital requirements arguing the additional costs will harm the wider economy.



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Daily Rates

Thursday 07 December 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 71.70 | | | | | CAD | 0.8357 | 0.8909 |
| NZD/USD | 0.6154 | 0.0001 | 0.0001 | -0.0002 | -0.0017 | CHF | 0.5383 | 0.5739 |
| NZD/AUD | 0.9378 | -0.0010 | -0.0025 | -0.0051 | -0.0100 | CNY | 4.4117 | 4.7144 |
| NZD/JPY | 90.63 | -0.47 | -1.28 | -2.63 | -4.99 | DKK | 4.2584 | 4.5393 |
| NZD/EUR | 0.5711 | -0.0007 | -0.0022 | -0.0049 | -0.0114 | FJD | 1.3564 | 1.4459 |
| NZD/GBP | 0.4896 | -0.0001 | -0.0002 | -0.0006 | -0.0019 | HKD | 4.8076 | 5.1247 |
| | | | | | | KRW | 808.94 | 862.31 |
| AU TWI | 61.20 | | | | | MYR | 2.8715 | 3.0609 |
| AUD/USD | 0.6560 | 0.0007 | 0.0019 | 0.0033 | 0.0038 | NOK | 6.7445 | 7.1895 |
| AUD/NZD | 1.0659 | 0.0010 | 0.0028 | 0.0055 | 0.0099 | SEK | 6.4398 | 6.8646 |
| AUD/JPY | 96.62 | -0.40 | -1.11 | -2.29 | -4.43 | SGD | 0.8254 | 0.8798 |
| AUD/EUR | 0.6087 | -0.0002 | -0.0006 | -0.0019 | -0.0065 | TWD | 19.38 | 20.66 |
| AUD/GBP | 0.5219 | 0.0004 | 0.0011 | 0.0021 | 0.0031 | ZAR | 11.66 | 12.43 |
| USD Index | 104.10 | | | | | EQUITIES | | |
| EUR/USD | 1.0773 | 0.0015 | 0.0041 | 0.0087 | 0.0187 | | Index | |
| USD/JPY | 147.28 | -0.78 | -2.12 | -4.20 | -7.73 | NZX50 | 11,463 | |
| GBP/USD | 1.2569 | 0.0004 | 0.0008 | 0.0011 | 0.0006 | ASX200 | 7,178 | |
| EUR/GBP | 0.8570 | 0.0009 | 0.0028 | 0.0061 | 0.0141 | Dow Jones | 36,176 | |
| | | | | | | S&P 500 | 4,565 | |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,515 | |
| | | | Mid | | Mid | DAX 30 | 16,656 | |
| 30 day bank bills | | | 5.58% | | 4.28% | Nikkei | 33,446 | |
| 90 day bank bills | | | 5.64% | | 4.35% | COMMODITIES | | |
| 1 year swap | | | 5.58% | | 4.31% | | USD | |
| 2 year swap | | | 5.18% | | 4.15% | Brent Crude | 74.61 | |
| 3 year swap | | | 4.89% | | 4.05% | Gold | 2,029.69 | |
| 5 year swap | | | 4.62% | | 4.24% | Silver | 23.92 | |
| 10 year swap | | | 4.65% | | 4.51% | Iron Ore | 130.77 | |
| 3 year Govt bond | | | 4.90% | | 3.89% | CRB Index | 303.18 | |
| 5 year Govt bond | | | 4.72% | | 3.94% | | NZD | |
| 10 year Govt bond | | | 4.83% | | 4.29% | NZ Carbon | 70.50 | |

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