

Market Alert

Monday 11 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6101	-0.0001
NZD/AUD	0.9282	-0.0048
NZD/JPY	88.72	-2.52
NZD/EUR	0.5683	-0.0048
NZD/GBP	0.4861	-0.0007
NZD/CNH	4.3960	-0.0554
AUD/USD	0.6565	0.0033
AUD/EUR	0.6098	-0.0021
EUR/USD	1.0761	0.0088
USD/CNH	7.1844	-0.0897
GBP/USD	1.2546	0.0012
EUR/GBP	0.8572	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.63%	4.35%
2 year swap	5.19%	4.17%
10 year Govt	4.88%	4.30%

From jobs Friday to the dot plots!

As someone said, traders have the attention span of a 2-year-old, and following Friday's US jobs releases, the focus for traders immediately turned to this week's FOMC meeting, which will include an updated dot plot report. Ultimately, everyone will be looking to the dot plots to ascertain when the Federal Reserve will start their cutting cycle, and while the members should theoretically start to price in cuts in H2 2024, I suspect they will maintain their 'the-battle-with-inflation-isn't-over' rhetoric.

Breaking Friday's jobs numbers down, the headline release showed the US added 199k jobs in November, which was above the 185k forecast, while the previous 2-months were revised lower by -35k. The jobless rate unexpectedly

fell from 3.9% to 3.7%. Average hourly earnings gained 0.4% to be at 4.0% for the year, while the participation rate ticked up marginally to 62.8%. There was also positive news after the University of Michigan downgraded its 1-year inflation outlook from 4.5% to 3.1%, its lowest level since March 2021, while the 5-year outlook also moved lower, from 3.2% to 2.8%.

Not quite so positive was the fall in Chinese inflation, which added to the stagflation narrative, falling from -0.2% to -0.5% against forecasts for a -0.1% fall. It was the fastest decline in CPI since November 2020 as food prices decreased sharply due to a drop in pork prices. Chinese producer prices also shrank for the 14th consecutive month falling -3.0% against expectations of a -2.1% drop.

Following Thursday's comments from BoJ Governor Kazuo Ueda, Friday's shocking Q3 GDP report, where growth plummeted -0.5% against expectations for a -0.1% easing, saw the JPY continue to firm and the 10-year JGB rally to a 3-week high at 0.80%.

The positive US releases saw bond yields and the USD-index gap higher with 2 and 10-year yields firming 14bps and 10bps, respectively, to reach 4.72% and 4.23%, while the US-dollar bounced back to the 104.00 level. This saw the NZD and AUD both weaken as they look to target their previous resistance levels. Equity markets closed in positive territory, although commodity markets were mixed.

The chit-chat corner.

Australian Treasurer Chalmers confirmed the Government has, "Agreed on a new monetary policy statement with RBA. The RBA, Government agree that an appropriate goal is consumer price inflation between 2.0%-3.0%."

Famed house, Oxford Economics expects the Fed to "push back against the idea that rate cuts could come onto the agenda anytime soon," warning that the Fed will "err on the side of leaving rates higher for too long."

The week ahead... again!

Along with this week's FOMC decision, we have inflation, retail sales, PPI, and PMI releases from the US. Looking further afield, we also have interest rate updates from the ECB, BoE, SNB, and the Norges Bank. Germany will update their ZEW index, Japan will provide their latest Tankan update, while we also have flash PMIs releases from Australia, Japan, the Eurozone, and the UK. China will update their latest new yuan loans, retail sales, industrial production, the house price index, and unemployment rates, Australia updates their labour data and business confidence, while Statistics New Zealand releases Q3 GDP.



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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	71.70					CAD	0.8290	0.8938
NZD/USD	0.6101	0.0001	0.0001	-0.0001	-0.0016	CHF	0.5367	0.5773
NZD/AUD	0.9282	-0.0009	-0.0024	-0.0048	-0.0089	CNY	4.3897	4.7191
NZD/JPY	88.72	-0.45	-1.26	-2.52	-4.86	DKK	4.2254	4.5468
NZD/EUR	0.5683	-0.0007	-0.0021	-0.0048	-0.0115	FJD	1.3447	1.4470
NZD/GBP	0.4861	-0.0001	-0.0003	-0.0007	-0.0018	HKD	4.7637	5.1260
						KRW	803.14	864.22
AU TWI	61.30					MYR	2.8443	3.0606
AUD/USD	0.6565	0.0007	0.0018	0.0033	0.0048	NOK	6.6466	7.1520
AUD/NZD	1.0752	0.0009	0.0026	0.0051	0.0093	SEK	6.3869	6.8726
AUD/JPY	95.36	-0.40	-1.14	-2.28	-4.37	SGD	0.8181	0.8803
AUD/EUR	0.6098	-0.0002	-0.0007	-0.0021	-0.0064	TWD	19.18	20.64
AUD/GBP	0.5231	0.0004	0.0011	0.0020	0.0031	ZAR	11.56	12.44
USD Index	103.98					EQUITIES		
EUR/USD	1.0761	0.0015	0.0042	0.0088	0.0189		Index	
USD/JPY	144.92	-0.75	-2.10	-4.10	-7.63	NZX50	11,496	
GBP/USD	1.2546	0.0004	0.0008	0.0012	0.0014	ASX200	7,195	
EUR/GBP	0.8572	0.0008	0.0026	0.0058	0.0132	Dow Jones	36,247	
						S&P 500	4,607	
INTEREST RATES			New Zealand		Australia	FTSE100	7,554	
			Mid		Mid	DAX 30	16,759	
30 day bank bills			5.57%		4.29%	Nikkei	32,308	
90 day bank bills			5.63%		4.35%	COMMODITIES		
1 year swap			5.54%		4.31%		USD	
2 year swap			5.19%		4.17%	Brent Crude	75.84	
3 year swap			4.93%		4.09%	Gold	2,003.39	
5 year swap			4.70%		4.29%	Silver	22.97	
10 year swap			4.71%		4.56%	Iron Ore	135.45	
3 year Govt bond			4.95%		3.91%	CRB Index	299.33	
5 year Govt bond			4.78%		3.96%		NZD	
10 year Govt bond			4.88%		4.30%	NZ Carbon	69.25	

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