

Market Alert

Thursday 6 July 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6182 | -0.0004 |
| NZD/AUD | 0.9288 | -0.0058 |
| NZD/JPY | 89.43 | -2.73 |
| NZD/EUR | 0.5695 | -0.0059 |
| NZD/GBP | 0.4866 | 0.0000 |
| NZD/CNH | 4.4896 | -0.0728 |
| AUD/USD | 0.6656 | 0.0036 |
| AUD/EUR | 0.6130 | -0.0027 |
| EUR/USD | 1.0854 | 0.0104 |
| USD/CNH | 7.2620 | -0.1130 |
| GBP/USD | 1.2701 | -0.0013 |
| EUR/GBP | 0.8544 | 0.0087 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 5.50% | 4.10% |
| 90 day bills | 5.71% | 4.32% |
| 2 year swap | 5.51% | 4.48% |
| 10 year Govt | 4.74% | 4.06% |

Fed signals determination for further interest rate increases

The minutes from the Fed's June meeting highlighted that almost all of the FOMC members, "judged it appropriate or acceptable to maintain the target range for the Federal Funds rate at 5.0%-5.25%. Leaving the target range unchanged at this meeting would allow the members more time to assess the economy's progress toward the Committee's goals of maximum employment and price stability. All participants continued to anticipate that, with inflation still well above the Committee's 2.0% goal, and the labour market remaining very tight, maintaining a restrictive stance for monetary policy would be appropriate. Almost all participants noted that in their economic projections that they judged that additional increases

would be appropriate." In amongst the comments, Fed staff saw a mild recession likely to start later this year while their inflation forecast projected inflation would contract to 3.0% this year, with core inflation at 3.7% with both total and core PCE price inflation expected to be close to 2.0% in 2025.

Equity markets were a 'sea of red' following the release of the June minutes while treasury yields spiked higher with the 2 and 10-years 4bp and 10bp higher at 4.94% and 3.94%. Currency markets were quiet with the USD-index posting modest gains, while commodity markets were mixed with oil a touch firmer.

US new factory orders increased 0.3% in June, which was in line with the May print, but lower than forecasts at 0.8%, which was in stark contrast to the Eurozone's poor PPIs which plummeted -1.5% in May while the April print was also revised lower to -0.9%.

The June Australian Judo/S&P services PMIs plummeted to 50.3 from 52.1, which saw the composite ease from 51.6 to 50.1, while the Japanese Jibun services PMIs slowed to 54.2 in June from 55.9, which saw the composite ease to 52.1 from 55.9.

Laying the foundation for the next trade war!

German Economic Minister Habeck announced, we should "learn the lesson from recent years in terms of what sovereignty in production, energy and

economic security really means. You probably saw today that China is really starting to up the ante regarding two types of metal. If that happens with lithium, then we really have a different kind of problem." And to be fair, the Chinese acknowledged that after the Global Times announced, "controls on exports of some gallium and germanium was a 'practical way' of telling the US and its allies that their efforts to curb China from procuring more advanced technology was a miscalculation."

Morgan Stanley's Chief Global Economist announced a "soft landing for the US economy is still on the cards. The job market is strong, but it's slowing while spending has started to moderate." BoA expects a softer USD in the next 18-months. Intriguingly, Société Générale is forecasting USD/CNY will firm to 7.4000 in Q4 23-Q1 24.

The Bridgewater CIO, Greg Jensen, announced, "It's an awful idea to use ChatGPT. If somebody's going to use large language models to pick stocks, I think that's hopeless - that is a hopeless path." And he's absolutely right ... why get something for free when you could be paying the national debt of a small pacific island to ensure you'll receive quality advice.

Way to go NZ... a feasibility study is being undertaken on the viability of turning green hydrogen into green sustainable jet fuel at the former Marsden Point refinery.



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Daily Rates

Thursday 6 July 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 71.90 | | | | | CAD | 0.8211 | 0.8841 |
| NZD/USD | 0.6182 | -0.0001 | -0.0003 | -0.0004 | -0.0007 | CHF | 0.5555 | 0.5982 |
| NZD/AUD | 0.9288 | -0.0011 | -0.0031 | -0.0058 | -0.0101 | CNY | 4.4813 | 4.8249 |
| NZD/JPY | 89.43 | -0.43 | -1.35 | -2.73 | -5.31 | DKK | 4.2415 | 4.5667 |
| NZD/EUR | 0.5695 | -0.0010 | -0.0030 | -0.0059 | -0.0113 | FJD | 1.3572 | 1.4613 |
| NZD/GBP | 0.4866 | -0.0002 | -0.0003 | 0.0000 | 0.0016 | HKD | 4.8357 | 5.2065 |
| | | | | | | KRW | 805.80 | 867.58 |
| AU TWI | 62.00 | | | | | MYR | 2.8746 | 3.0950 |
| AUD/USD | 0.6656 | 0.0007 | 0.0020 | 0.0036 | 0.0048 | NOK | 6.6018 | 7.1079 |
| AUD/NZD | 1.0762 | 0.0012 | 0.0035 | 0.0064 | 0.0098 | SEK | 6.7664 | 7.2853 |
| AUD/JPY | 96.28 | -0.37 | -1.14 | -2.37 | -4.77 | SGD | 0.8364 | 0.9005 |
| AUD/EUR | 0.6130 | -0.0003 | -0.0011 | -0.0027 | -0.0058 | TWD | 19.29 | 20.77 |
| AUD/GBP | 0.5239 | 0.0004 | 0.0014 | 0.0031 | 0.0070 | ZAR | 11.61 | 12.50 |
| USD Index | 103.35 | | | | | EQUITIES | | |
| EUR/USD | 1.0854 | 0.0016 | 0.0049 | 0.0104 | 0.0186 | | Index | |
| USD/JPY | 144.66 | -0.67 | -2.13 | -4.32 | -8.30 | NZX50 | 12,002 | |
| GBP/USD | 1.2701 | 0.0002 | 0.0000 | -0.0013 | -0.0078 | ASX200 | 7,253 | |
| EUR/GBP | 0.8544 | 0.0011 | 0.0037 | 0.0087 | 0.0199 | Dow Jones | 34,293 | |
| | | | | | | S&P 500 | 4,450 | |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,442 | |
| | | | Mid | | Mid | DAX 30 | 15,938 | |
| 30 day bank bills | | | 5.65% | | 4.12% | Nikkei | 33,339 | |
| 90 day bank bills | | | 5.71% | | 4.32% | COMMODITIES | | |
| 1 year swap | | | 5.81% | | 4.57% | | USD | |
| 2 year swap | | | 5.51% | | 4.49% | Brent Crude | 76.74 | |
| 3 year swap | | | 5.15% | | 4.35% | Gold | 1,915.88 | |
| 5 year swap | | | 4.74% | | 4.38% | Silver | 23.13 | |
| 10 year swap | | | 4.54% | | 4.46% | Iron Ore | 110.87 | |
| 3 year Govt bond | | | 5.02% | | 4.05% | CRB Index | 292.47 | |
| 5 year Govt bond | | | 4.76% | | 3.97% | | NZD | |
| 10 year Govt bond | | | 4.74% | | 4.06% | NZ Carbon | 37.75 | |

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