MARKET UPDATE

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New Zealand Dollar Jumps 1% as Rising Inflation Spurs Rate Hike Bets

The New Zealand dollar jumped on Tuesday after inflation for the third quarter blew past expectations, driving up bets that the central bank will deliver more interest rate hikes this year.

The kiwi jumped 1.2% to a near two-week high of $0.5700. Its gains were triggered just after the consumer price index read substantially higher than expected for the third quarter.

On an annualized basis, New Zealand's CPI rose 7.2% in the three months to September 30, compared with expectations for a reading of 6.6%, and last quarter's reading of 7.3%. The reading remained near 32-year highs, as supply chain disruptions and rising fuel and food costs pushed up prices.

CPI inflation also grew 2.2% from the prior quarter, more than expectations for growth of 1.6%.

The Reserve Bank of New Zealand has raised interest rates at a record pace since last year, given that it was one of the first major central banks to begin tightening policy in the aftermath of the COVID-19 pandemic.

Turbulent markets jolt currency hedge funds from decade-long slumber

Veteran hedge fund manager John Taylor describes one of his favourite Gary Larson cartoons, where one vulture sitting on an animal carcass says to another as more descend: "good friends flying in from all over...this is the best of times".

There is, he says jokingly, a resemblance to the hedge funds currently circling foreign exchange markets, where a sudden rise in volatility offers to boost returns for the few specialist investors who survived the decade-long period of calm that forced many from the sector.

Taylor's former firm, FX Concepts, rode the financial crisis market volatility to its best year in 2008, when assets under management ballooned to over $14 billion, making it the largest currency hedge fund in the world at the time.

Oil Prices Tread Water Between Tightening Supply, Recession Fears

Oil prices were muted on Tuesday as markets weighed signs of tightening crude supply against increasing fears that a global economic slowdown will erode crude demand this year.

Crude markets marked a slow start to the week, retaining most of last week's losses amid growing signs that the United States will enter a recession within the next 12 months, according to Bloomberg economists.

The dismal forecast comes amid rising inflation in the country, with steep interest rate hikes by the Federal Reserve having done little so far to soothe price pressures.

London-traded Brent oil futures were little changed around $91.93 a barrel on Tuesday, while U.S. West Texas Intermediate crude futures rose 0.3% to $84.75 a barrel by 21:53 ET (01:53 GMT). Both contracts moved little on Monday.

Concerns over future Chinese demand weighed, after President Xi Jinping signaled that the country has no plans to scale back its strict zero-COVID policy. A string of lockdowns and curbs under the policy have severely hampered Chinese economic activity this year, denting crude demand in the world's largest oil importer.

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol