

Market Alert

Friday 21 January 2022

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6781 | -0.0027 |
| NZD/AUD | 0.9348 | -0.0046 |
| NZD/JPY | 77.42 | -0.54 |
| NZD/EUR | 0.5991 | -0.0054 |
| NZD/GBP | 0.4977 | -0.0015 |
| NZD/CNH | 4.3027 | 0.0259 |
| AUD/USD | 0.7253 | 0.0007 |
| AUD/EUR | 0.6408 | -0.0026 |
| EUR/USD | 1.1319 | 0.0058 |
| USD/CNH | 6.3454 | 0.0634 |
| GBP/USD | 1.3625 | -0.0013 |
| EUR/GBP | 0.8308 | 0.0051 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.75% | 0.10% |
| 90 day bills | 1.08% | 0.07% |
| 2 year swap | 2.40% | 1.16% |
| 10 year Govt | 2.59% | 1.99% |

A lot to get through today

There was a fair bit of data released overnight, so let's kick-on ...

The Australian unemployment rate fell to 4.2% in December from November's +4.6% as 41.5k full-time, and +23.3k part-time jobs, were added to the economy.

The participation rate was inline with the previous print at 66.1%, and while the headline unemployment rate is near the all time low of 4.0% from 2008, it should be remembered the inputs were taken within the first 11 days of December prior to the full impact of the Omicron outbreak.

In other Australian news, January consumer inflation expectations eased to +4.4% from +4.8% while one of the local Australian banks has fast-tracked their RBA forecasts with a first rate hike in February 2023 from August 2023. Finally, on the COVID-19 front, the Australian drug regulator has granted provisional approval to two oral treatments for COVID-19. Shipments of the drugs are expected to arrive 'within weeks.'

The NZ food price index for December increased +0.6% following on from November's -0.6% contraction, but, regardless of the prices, it would appear it's a good time to stock the pantry after NZ Prime Minister, Jacinda Ardern, announced restrictions would be tightened if there were any Omicron community transmissions.

US initial jobless claims reached their largest weekly increase since mid-July as the Omicron impact kicked in and employers struggled to retain workers. This saw unemployment claims increase by 55k on the week to 286k, which was well above market expectations of 220k, while continuing claims rose to 1,635k. In other US news, existing home sales fell -4.6% while the Philadelphia Fed manufacturing index increased to 23.2 in January from December's 1-year low of 15.4.

In the least surprising news of the day, annual Eurozone inflation reached a record +5.0% high in December, up slightly from November's +4.9%, as the

cost of oil and natural gas continued to soar and supply chain disruptions continue to weigh.

ECB policymakers emphasised that the recent increase in inflation was largely driven by temporary factors that were expected to ease in 2022, although they warned that a "higher for longer" inflation scenario was possible. At the same time, the central bank also reiterated that net PEPP purchases would be scaled down and discontinued by the end of March although members noted that substantial monetary policy support was still needed, thus an interest rate hike this year is highly unlikely. In other news, the Euro Area current account surplus narrowed to EUR26.0 billion in November and the ZEW sentiment index rallied 22.6 points to 49.4 to hit its highest since July 2021.

Despite all of the data releases ...

financial markets were relatively quiet!

International equities staged a mini recovery with European bourses up 0.25%-0.50% while the US exchanges firmed +0.75-+1.0%, commodity prices continued to cement their gains with crude hovering near its 7 year high, while bonds markets were quiet with the T-bond at 1.835%. The AUD managed to hold on to its gains post their positive employment report, although the NZD flat-lined which saw the NZD/AUD cross finally break the 0.9400 level as it fell to 0.9350.



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Daily Rates

Friday 21 January 2022

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------|--------|------------|---------|---------|---------|--------------------|--------------|---------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 72.46 | | | | | CAD | 0.8449 | 0.9036 |
| NZD/USD | 0.6780 | -0.0003 | -0.0011 | -0.0027 | -0.0072 | CHF | 0.6219 | 0.6651 |
| NZD/AUD | 0.9351 | -0.0005 | -0.0019 | -0.0046 | -0.0109 | CNY | 4.2993 | 4.5979 |
| NZD/JPY | 77.41 | -0.05 | -0.20 | -0.53 | -1.54 | DKK | 4.4586 | 4.7682 |
| NZD/EUR | 0.5990 | -0.0006 | -0.0022 | -0.0054 | -0.0140 | FJD | 1.4400 | 1.5401 |
| NZD/GBP | 0.4976 | -0.0001 | -0.0006 | -0.0015 | -0.0044 | HKD | 5.2786 | 5.6452 |
| | | | | | | KRW | 808.21 | 864.35 |
| AU TWI | 60.80 | | | | | MYR | 2.8372 | 3.0343 |
| AUD/USD | 0.7251 | 0.0001 | 0.0003 | 0.0007 | 0.0008 | NOK | 5.9538 | 6.3673 |
| AUD/NZD | 1.0695 | 0.0006 | 0.0022 | 0.0053 | 0.0126 | SEK | 6.2145 | 6.6462 |
| AUD/JPY | 82.79 | -0.01 | -0.05 | -0.16 | -0.70 | SGD | 0.9121 | 0.9754 |
| AUD/EUR | 0.6406 | -0.0003 | -0.0011 | -0.0026 | -0.0076 | TWD | 18.73 | 20.03 |
| AUD/GBP | 0.5321 | 0.0001 | 0.0005 | 0.0010 | 0.0015 | ZAR | 10.2833 | 10.9976 |
| USD Index | 95.70 | | | | | EQUITIES | | |
| EUR/USD | 1.1318 | 0.0007 | 0.0024 | 0.0058 | 0.0149 | | Index | |
| USD/JPY | 114.18 | -0.03 | -0.12 | -0.34 | -1.08 | NZX50 | 12,497 | |
| GBP/USD | 1.3625 | -0.0002 | -0.0006 | -0.0013 | -0.0023 | ASX200 | 7,342 | |
| EUR/GBP | 0.8307 | 0.0006 | 0.0022 | 0.0051 | 0.0124 | Dow Jones | 35,261 | |
| | | | | | | S&P 500 | 4,569 | |
| | | | | | | FTSE100 | 7,585 | |
| | | | | | | DAX 30 | 15,912 | |
| | | | | | | Nikkei | 27,773 | |
| | | | | | | COMMODITIES | | |
| | | | | | | | USD | |
| | | | | | | Dubai Light | 86.09 | |
| | | | | | | Brent Crude | 88.83 | |
| | | | | | | Gold | 1,840.78 | |
| | | | | | | Silver | 24.61 | |
| | | | | | | CRB Index | 265.70 | |
| | | | | | | | NZD | |
| | | | | | | NZ Carbon | 74.25 | |

| INTEREST RATES | New Zealand | | Australia | |
|-------------------|-------------|--------|-----------|--------|
| | Borrow | Invest | Borrow | Invest |
| 30 day bank bills | 0.86% | 0.83% | 0.02% | 0.02% |
| 90 day bank bills | 1.11% | 1.08% | 0.09% | 0.05% |
| FRA 90d in 3mths | 1.69% | 1.66% | 0.37% | 0.34% |
| FRA 180d in 6mths | 2.37% | 2.34% | 1.00% | 0.98% |
| 1 year swap | 1.89% | 1.87% | 0.55% | 0.54% |
| 2 year swap | 2.41% | 2.39% | 1.17% | 1.15% |
| 3 year swap | 2.63% | 2.60% | 1.54% | 1.53% |
| 5 year swap | 2.76% | 2.74% | 1.85% | 1.84% |
| 10 year swap | 2.84% | 2.82% | 2.22% | 2.20% |
| 10 year Govt bond | | 2.57% | | 1.99% |

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