

Market Alert

Friday 18 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6703	-0.0024
NZD/AUD	0.9310	-0.0057
NZD/JPY	77.09	-0.64
NZD/EUR	0.5900	-0.0061
NZD/GBP	0.4918	-0.0010
NZD/CNH	4.2446	0.0294
AUD/USD	0.7200	0.0018
AUD/EUR	0.6337	-0.0027
EUR/USD	1.1362	0.0077
USD/CNH	6.3328	0.0668
GBP/USD	1.3630	-0.0021
EUR/GBP	0.8336	0.0069

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.23%	0.08%
2 year swap	2.54%	1.45%
10 year Govt	2.82%	2.21%

Markets unnerved by Russia-Ukraine escalation ... again

Concerns over Ukraine overshadowed the release of the latest Fed minutes, in which officials concluded they would start raising rates soon and are on alert for persistent inflation that would justify faster tightening. There were very few details on balance sheet run off plans.

Ex-Fed Chair, and current US Treasury Secretary, Janet Yellen, has been particularly quiet this year, but that changed when she stated that while the health of the world's largest economy is fundamentally sound, US inflation rates are "not acceptable."

She then added "I have confidence the Fed ... (will) deploy their suite of tools in an appropriate way to keep the recovery on track, but also deal with the excess pressures that we have that are causing inflation."

San Francisco bull Fed President, Mary Daly, joined in stating, "we've already seen financial conditions tighten somewhat as the Fed has started talking about our path of raising interest rates and I'd like to see continued tightening up of some financial conditions" while perma-bull, James Bullard, added, "100 bps of hikes by July could be managed in many ways as the best response is to front load removing accommodation. The 2.6% year-end staff forecast for inflation is optimistic. (I) want to play the balance sheet card as soon as we can."

The number of Americans filing new claims for unemployment benefits increased by 23,000 to 248,000, well above market expectations of 219,000 and it is the first rise in three weeks, although this is still well below the 3 month high of 290,000. Other US data was weak as well with the Philadelphia Fed manufacturing index easing to 16.0 from 23.2 while housing starts fell -4.1% to a 3 month low at 1.638 million.

To some extent the AUD was supported by the Australian January employment report, and although the headlines weren't great, it reflected the resilience of the local labour market. The change in employment of 12,900 exceeded expectations of nil, while the unemployment rate remained

unchanged at 4.2%. Unfortunately, full-time employment fell by -17,000, while part-time employment increased by 30,000 and the participation rate increased to 66.2% against an expected 66.0%.

In Japan, machinery orders for December are up a promising 5.1% year on year and 3.6% for the month of December alone. Japan needs its capital goods sector to fire because imports are rising extremely fast, 39.6% year on year for January.

In summary

Recently, markets seem to be, at least in the short term, dictated by geopolitics. Overnight most major groups fell, the S&P500 and Dow are both down more than 1.0%, with technology stocks leading losses.

European markets also closed lower on the tensions. Treasury 10-year yields slipped back below the 2.0% mark, while gold firmed and is now at highs last seen in June 2021. Continued market volatility can be expected as the situation in Ukraine develops, the VIX Index, which represents the markets expectations for volatility over the coming 30 days, spiked at the beginning of the week and has remained at higher levels.



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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	71.72					CAD	0.8503	0.9134
NZD/USD	0.6703	-0.0004	-0.0011	-0.0024	-0.0057	CHF	0.6166	0.6623
NZD/AUD	0.9310	-0.0007	-0.0024	-0.0057	-0.0116	CNY	4.2483	4.5634
NZD/JPY	77.09	-0.06	-0.26	-0.64	-1.72	DKK	4.3888	4.7143
NZD/EUR	0.5900	-0.0007	-0.0026	-0.0061	-0.0146	FJD	1.4260	1.5318
NZD/GBP	0.4918	-0.0002	-0.0005	-0.0010	-0.0029	HKD	5.2278	5.6155
						KRW	802.37	861.89
AU TWI	60.30					MYR	2.8053	3.0133
AUD/USD	0.7200	0.0001	0.0007	0.0018	0.0028	NOK	5.9751	6.4183
AUD/NZD	1.0742	0.0008	0.0028	0.0066	0.0135	SEK	6.2573	6.7214
AUD/JPY	82.81	-0.01	-0.06	-0.19	-0.83	SGD	0.9001	0.9669
AUD/EUR	0.6337	-0.0003	-0.0011	-0.0027	-0.0079	TWD	18.68	20.06
AUD/GBP	0.5282	0.0002	0.0009	0.0021	0.0035	ZAR	10.0424	10.7872
USD Index	95.80					EQUITIES		
EUR/USD	1.1362	0.0007	0.0031	0.0077	0.0189		Index	
USD/JPY	115.02	-0.03	-0.20	-0.55	-1.60	NZX50	12,257	
GBP/USD	1.3630	-0.0003	-0.0009	-0.0021	-0.0036	ASX200	7,296	
EUR/GBP	0.8336	0.0007	0.0028	0.0069	0.0161	Dow Jones	34,512	
						S&P 500	4,410	
						FTSE100	7,537	
						DAX 30	15,268	
						Nikkei	27,233	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Borrow	Invest	Borrow	Invest		USD	
30 day bank bills		1.09%	1.06%	0.02%	0.02%	Dubai Light	93.96	
90 day bank bills		1.26%	1.23%	0.10%	0.06%	Brent Crude	92.66	
FRA 90d in 3mths		1.92%	1.89%	0.40%	0.37%	Gold	1,897.01	
FRA 180d in 6mths		2.61%	2.58%	1.16%	1.14%	Silver	23.84	
1 year swap		2.09%	2.07%	0.68%	0.67%	CRB Index	282.05	
2 year swap		2.55%	2.53%	1.47%	1.44%		NZD	
3 year swap		2.74%	2.72%	1.87%	1.85%	NZ Carbon	85.00	
5 year swap		2.88%	2.86%	2.17%	2.16%			
10 year swap		2.97%	2.95%	2.49%	2.46%			
10 year Govt bond			2.80%		2.21%			

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