

# Market Alert

Thursday 14 April, 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6792	-0.0025
NZD/AUD	0.9122	-0.0062
NZD/JPY	85.36	-1.03
NZD/EUR	0.6241	-0.0083
NZD/GBP	0.5182	-0.0023
NZD/CNH	4.3323	0.0207
AUD/USD	0.7446	0.0024
AUD/EUR	0.6841	-0.0045
EUR/USD	1.0884	0.0107
USD/CNH	6.3782	0.0538
GBP/USD	1.3110	0.0009
EUR/GBP	0.8302	0.0076

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.10%
90 day bills	1.78%	0.31%
2 year swap	3.48%	2.30%
10 year Govt	3.44%	3.07%

## A dovish hike for the beginning of the end

That was, quite possibly, the first ever dovish 50 basis point hike!

Although the RBNZ produced its biggest hike in 22 years taking the OCR to 1.50%, there were a few comments in the statement implying we may have seen a peak in yields and swap rates. The comments were, "The Committee remained comfortable with the outlook for the OCR as outlined in their February Monetary Policy Statement". And, "A larger move now also provides more policy flexibility ahead, in

light of the highly uncertain global economic environment". This has seen bond yields and interest rates fall, as has the NZD. To provide context, from yesterday's opening, NZ swap rates are 22bps lower in the 2-years, the 5-years is 17bps lower, while the 10-years is off 10bps. Similarly, the NZD fell 1.00% against the USD and between 0.75% and 1.75% on the crosses with NZD/AUD at 0.9115!

If you had any doubt about the inflationary pressures in New Zealand, then the 0.7% increase in March food prices, and the 7.6% annual increase should have convinced you. Especially when you consider that food makes up almost 20% of the NZ CPI index. Strangely, the expectation was a 0.1% contraction following on from February's -0.4% number, but I suppose those millionaire supermarket owners need to pay for those new Ferraris!

The BoC raised its policy rate by 50bps to 1.00%, announcing they will cease buying government bonds on 25 April. However, unlike other countries, the BoC will start an aggressive quantitative tightening process given that around 40% of their holdings will expire in the next 2 years which will result in a much swifter run down of the BoC's balance sheet.

In other news, US PPI increased 1.4% in March, and a record 11.2% on the year, annual UK inflation reached its highest level since 1992 increasing 1.1% on the

month and 7.0% on the year. Australian consumer confidence rebounded from -4.2% in March's to -0.9%, although it's still in negative territory.

St Louis Fed president, James Bullard added, "It is 'fantasy' to believe that neutral is enough to bring down inflation. Getting too neutral won't be enough. Neutral is not enough to apply downward pressure on inflation." Richmond Fed President, Thomas Barkin, then added, "The Fed should move rates rapidly to neutral range, then tighten further if needed. The Fed may be able to avoid a 'hard landing' by cementing inflation expectations. The current framework was significantly informed by the experience of the 2010s ... if you wait to see inflation, you have to move faster than you might otherwise."

Goldman Sachs and JP Morgan say the US has hit 'peak inflation'.

China has initiated steps towards a potential exit from its strict zero-COVID strategy, starting a pilot program in some cities to test looser quarantine requirements for residents and travellers. China's March trade balance fell to 'just' CNY300.6 billion vs CNY445.3 billion expected.

NZ financial markets encountered a new bout of weakness. International markets were mixed with European equities flat while US equities and commodities continued their relentless grind higher. The US 10-year treasury eased lower to the 2.70% level, the EUR firmed, and the AUD flatlined.



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# Daily Rates

Thursday 14 April, 2022

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	74.40					CAD	0.8537 0.9358
NZD/USD	0.6792	-0.0003	-0.0010	-0.0025	-0.0051	CHF	0.6349 0.6962
NZD/AUD	0.9122	-0.0008	-0.0029	-0.0062	-0.0105	CNY	4.3249 4.7430
NZD/JPY	85.36	-0.10	-0.39	-1.03	-2.60	DKK	4.6416 5.0887
NZD/EUR	0.6241	-0.0009	-0.0035	-0.0083	-0.0187	FJD	1.4303 1.5681
NZD/GBP	0.5182	-0.0002	-0.0008	-0.0023	-0.0056	HKD	5.3236 5.8357
						KRW	830.58 910.53
AU TWI	64.00					MYR	2.8715 3.1477
AUD/USD	0.7446	0.0003	0.0013	0.0024	0.0029	NOK	5.9479 6.5207
AUD/NZD	1.0962	0.0010	0.0035	0.0075	0.0128	SEK	6.4434 7.0635
AUD/JPY	93.58	-0.03	-0.13	-0.49	-1.79	SGD	0.9254 1.0144
AUD/EUR	0.6841	-0.0004	-0.0016	-0.0045	-0.0128	TWD	19.70 21.59
AUD/GBP	0.5680	0.0003	0.0010	0.0014	0.0004	ZAR	9.89 10.85
USD Index	99.94					<b>EQUITIES</b>	
EUR/USD	1.0884	0.0011	0.0045	0.0107	0.0251		<b>Index</b>
USD/JPY	125.68	-0.09	-0.38	-1.06	-2.87	NZX50	11,875
GBP/USD	1.3110	-0.0002	-0.0001	0.0009	0.0042	ASX200	7,479
EUR/GBP	0.8302	0.0010	0.0035	0.0076	0.0165	Dow Jones	34,220
						S&P 500	4,446
<b>INTEREST RATES</b>						FTSE100	7,581
			<b>New Zealand</b>		<b>Australia</b>	DAX 30	14,076
			<b>Mid</b>		<b>Mid</b>	Nikkei	26,843
30 day bank bills			1.53%		0.04%	<b>COMMODITIES</b>	
90 day bank bills			1.78%		0.31%		<b>USD</b>
1 year swap			2.98%		1.49%	Brent Crude	108.67
2 year swap			3.48%		2.30%	Gold	1,977.37
3 year swap			3.60%		2.58%	Silver	25.72
5 year swap			3.64%		2.91%	Iron Ore	148.00
10 year swap			3.71%		3.23%	CRB Index	322.27
3 year Govt bond			3.23%		2.50%		<b>NZD</b>
5 year Govt bond			3.36%		2.75%	NZ Carbon	76.50
10 year Govt bond			3.46%		3.07%		

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