

Market Alert

Friday 8 April, 2022

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6894 | -0.0025 |
| NZD/AUD | 0.9219 | -0.0061 |
| NZD/JPY | 85.46 | -1.00 |
| NZD/EUR | 0.6341 | -0.0084 |
| NZD/GBP | 0.5273 | -0.0023 |
| NZD/CNH | 4.3877 | 0.0226 |
| AUD/USD | 0.7478 | 0.0023 |
| AUD/EUR | 0.6879 | -0.0045 |
| EUR/USD | 1.0873 | 0.0106 |
| USD/CNH | 6.3648 | 0.0557 |
| GBP/USD | 1.3073 | 0.0010 |
| EUR/GBP | 0.8316 | 0.0075 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 1.00% | 0.10% |
| 90 day bills | 1.67% | 0.28% |
| 2 year swap | 3.59% | 2.46% |
| 10 year Govt | 3.43% | 2.90% |

It's all about the Tiger

Not a bad start for 'the legend.'

The ECB minutes reflected, once again, a wide variety of thoughts and opinions as to what actions the council should be undertaking.

While the general view was for a more negative short-term outlook, there was a strong belief that 2H 22 will see a gradual recovery. Inflation being the main concern, "a large number of members believed that the current high level of inflation and its persistence required immediate additional steps toward monetary policy normalisation." Furthermore,

some policymakers argued that asset purchases were no longer required, implying that an end of the APP programme in the summer could clear the way for a Q3 rate hike, although other members preferred a 'wait and see' approach.

This lack of consensus saw the EUR struggle again and the data didn't help either, after Eurozone retail sales were weaker than expected at a modest 0.3%, slashing hopes of a strong Q1 consumption-led recovery. German industrial production increased slightly to 0.2%.

US jobless claims fell to a 53-year low as initial claims decreased by 5,000 to 166,000 well below market expectations of 200,000. However, continuing claims rose to 1.52 million, which was much higher than the forecast 1.31 million.

This didn't stop Fed member and perma-bull, James Bullard, from announcing, "The labour force improvement is not happening fast enough to help with the current inflation problem, and it's not clear how the US will meet labour demand. I would like to see the Fed funds rate hit 3.50% in 2H 2023 (and I) will 'lean into' 50 bps hike at the May meeting, although it is data dependent. I believe most of the balance sheet decisions are already priced in although MBS sales are 'not imminent'."

The Australian trade balance for February came in at a paltry AUD7.46 billion, following on from January's speculator AUD12.891 billion. Exports flatlined while imports surged 12% on the month.

Services PMIs in March were also a shocker, dropping to 56.2 from February's 60.0, although the weak data hasn't stopped one of the local banks from bringing forward their RBA 'lift off' rate hike to June, from August.

Shanghai expected to suffer a COVID-19 related 6.0% GDP loss in this month alone, generating a 2.0% GDP loss for the whole of China. The Chinese State Council has signalled they will use monetary policy tools at an "appropriate time" while the central bank has also published a draft bail-out stability fund to provide support to troubled financial firms.

The IMF has cut Japan's 2022 economic growth forecast to 2.4%, from its 3.3% projected in January, but the escalation of the Ukraine conflict poses significant downside risks to Japan's economy. While the JPY continues to struggle, word on the street is that the BoJ won't intervene until USD/JPY reaches 130.00.

Lastly, markets staged a modest recovery overnight with equity bourses up 0.25%-0.75%, while commodities were mixed. In fact, most of the movement was in bond markets with the 10-year Treasury up to 2.655% with the USD finding support, which saw the NZD, AUD, and EUR all ease lower.

Congrats Ketanji Brown Jackson

Congratulations to Ketanji Brown Jackson on her acceptance to the US Supreme Court.



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Daily Rates

Friday 8 April, 2022

| FX | Spot | FECs (mid) | | | | Spot Mid | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|---------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... |
| NZ TWI | 74.36 | | | | | CAD | 0.8679 0.9412 |
| NZD/USD | 0.6894 | -0.0003 | -0.0010 | -0.0025 | -0.0054 | CHF | 0.6440 0.6986 |
| NZD/AUD | 0.9219 | -0.0008 | -0.0028 | -0.0061 | -0.0109 | CNY | 4.3851 4.7566 |
| NZD/JPY | 85.46 | -0.09 | -0.37 | -1.00 | -2.61 | DKK | 4.7158 5.1155 |
| NZD/EUR | 0.6341 | -0.0010 | -0.0035 | -0.0084 | -0.0196 | FJD | 1.4447 1.5670 |
| NZD/GBP | 0.5273 | -0.0001 | -0.0007 | -0.0023 | -0.0061 | HKD | 5.4030 5.8609 |
| | | | | | | KRW | 842.64 913.97 |
| AUTWI | 64.90 | | | | | MYR | 2.9082 3.1551 |
| AUD/USD | 0.7478 | 0.0003 | 0.0012 | 0.0023 | 0.0030 | NOK | 6.0759 6.5903 |
| AUD/NZD | 1.0847 | 0.0009 | 0.0033 | 0.0072 | 0.0130 | SEK | 6.5225 7.0761 |
| AUD/JPY | 92.70 | -0.02 | -0.12 | -0.47 | -1.76 | SGD | 0.9385 1.0180 |
| AUD/EUR | 0.6879 | -0.0004 | -0.0016 | -0.0045 | -0.0133 | TWD | 19.89 21.57 |
| AUD/GBP | 0.5720 | 0.0003 | 0.0009 | 0.0013 | 0.0001 | ZAR | 10.17 11.03 |
| USD Index | 99.81 | | | | | EQUITIES | |
| EUR/USD | 1.0873 | 0.0010 | 0.0043 | 0.0106 | 0.0258 | | Index |
| USD/JPY | 123.96 | -0.08 | -0.36 | -1.01 | -2.82 | NZX50 | 12,076 |
| GBP/USD | 1.3073 | -0.0002 | -0.0001 | 0.0010 | 0.0049 | ASX200 | 7,443 |
| EUR/GBP | 0.8316 | 0.0009 | 0.0033 | 0.0075 | 0.0165 | Dow Jones | 34,497 |
| | | | | | | S&P 500 | 4,509 |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,552 |
| | | | Mid | | Mid | DAX 30 | 14,078 |
| 30 day bank bills | | | 1.37% | | 0.02% | Nikkei | 26,889 |
| 90 day bank bills | | | 1.67% | | 0.28% | COMMODITIES | |
| 1 year swap | | | 2.97% | | 1.48% | | USD |
| 2 year swap | | | 3.59% | | 2.46% | Brent Crude | 101.10 |
| 3 year swap | | | 3.68% | | 2.75% | Gold | 1,931.41 |
| 5 year swap | | | 3.67% | | 3.04% | Silver | 24.59 |
| 10 year swap | | | 3.62% | | 3.23% | Iron Ore | 154.00 |
| 3 year Govt bond | | | 3.29% | | 2.52% | CRB Index | 311.89 |
| 5 year Govt bond | | | 3.38% | | 2.74% | | NZD |
| 10 year Govt bond | | | 3.44% | | 2.90% | NZ Carbon | 75.95 |

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