

Market Alert

Monday 12 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6403	0.0006
NZD/AUD	0.9437	-0.0065
NZD/JPY	87.52	-2.13
NZD/EUR	0.6085	-0.0073
NZD/GBP	0.5223	-0.0018
NZD/CNH	4.4420	0.0000
AUD/USD	0.6795	0.0050
AUD/EUR	0.6451	-0.0036
EUR/USD	1.0530	0.0137
USD/CNH	6.9710	0.0000
GBP/USD	1.2255	0.0053
EUR/GBP	0.8596	0.0073

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.52%	3.18%
2 year swap	5.13%	3.61%
10 year Govt	4.11%	3.37%

Sentiment improves, outlook doesn't!

The University of Michigan consumer sentiment for the US unexpectedly jumped to 59.1 in December of 2022 from 56.8 in November, beating market forecasts of 56.9 as preliminary estimates showed. Adding to the somewhat encouraging outlook was inflation expectations for the year-ahead eased to 4.6%, the lowest reading since September of 2021, meanwhile the five-year outlook was steady at 3.0%.

The producer price index in the United States increased 0.3% month-on month in November and marginally above market forecasts of 0.2%, while the cost

of services increased 0.4%, the biggest gain in 3-months. Cost of goods edged up 0.1%, led by a 38.1% increase in prices for fresh and dry vegetables while gasoline prices fell 6.0%.

Christmas came early... well not quite, but oil prices have fallen significantly, with WTI below \$71 per barrel towards the end of last week. This is its lowest level in 12 months and a weekly decline of more than 10.0%. This comes right in time as the government is set to unwind its 25 cent subsidy put in place to help control the cost of living pressures. One of the primary drivers of the weaker fuel costs is the growing concern of a potential global recession-driven demand downturn, especially among advanced economies. Risk assets across the board seem to be taking a beating as both the S&P 500 and the Nasdaq falling 0.7% as markets processed a slew of economic releases and continuing concerns about rate hikes.

A busy week for central banks

It will be a busy week in the US, with the Fed interest rate decision and the CPI report taking central stage. Headline inflation is expected to slow to 7.3% in November, from 7.7% currently, with the monthly CPI set to rise only 0.3%. On the Fed hiking track, markets are factoring in a 50bps hike following a consecutive run of four 75bps hikes. The Fed has already lifted its key interest rate by a cumulative 3.75% since it initiated its hiking track in March, a rapid tightening pace by anyone's standards.

The US 10-year Treasury yield was down 0.75% since last month's peak, markets are already factoring in a substantial Fed 'pivot'. This can also be seen by the wide 2-10-year spread, with the 2-year Treasury yield almost 80bps higher than the 10-year. Markets will be looking for a further easing in inflation pressures to justify the path already taken by bond market pricing.

The Bank of England, the European Central Bank will be holding monetary policy meetings which may provide insight into what the consensus outlook is for 2023 and how the central banks see themselves positioned to weather the storm.

In the UK, the BoE is expected to announce a 50bps rate hike on Thursday, following the 75bps from previous which was the biggest increase in borrowing costs in 33 years! Other key economic releases include the monthly GDP for October, while inflation figures will also be under the spotlight.

Over in China, industrial productions and retail sales for November will be released, two measures which can be expected to provide some insight into how the strict Covid policies have affected the economy.



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Daily Rates

Monday 12 December 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.20					CAD	0.8740	0.9272
NZD/USD	0.6403	0.0003	0.0008	0.0006	-0.0004	CHF	0.5982	0.6348
NZD/AUD	0.9437	-0.0008	-0.0024	-0.0065	-0.0138	CNY	4.4453	4.7106
NZD/JPY	87.52	-0.33	-0.96	-2.13	-4.53	DKK	4.5216	4.7984
NZD/EUR	0.6085	-0.0013	-0.0034	-0.0073	-0.0152	FJD	1.3886	1.4736
NZD/GBP	0.5223	-0.0003	-0.0007	-0.0018	-0.0041	HKD	4.9850	5.2902
						KRW	834.87	885.98
AU TWI	61.80					MYR	2.8180	2.9905
AUD/USD	0.6813	0.0008	0.0024	0.0050	0.0088	NOK	6.3784	6.7689
AUD/NZD	0.6535	0.0007	0.0023	0.0066	0.0128	SEK	6.6082	7.0127
AUD/JPY	92.79	-0.29	-0.81	-1.67	-3.61	SGD	0.8661	0.9192
AUD/EUR	0.6451	-0.0009	-0.0021	-0.0036	-0.0076	TWD	19.66	20.86
AUD/GBP	0.5543	0.0000	0.0005	0.0016	0.0031	ZAR	11.10	11.78
USD Index	104.93					EQUITIES		
EUR/USD	1.0530	0.0027	0.0071	0.0137	0.0259		Index	
USD/JPY	136.56	-0.59	-1.67	-3.45	-7.08	NZX50	11,596	
GBP/USD	1.2255	0.0013	0.0030	0.0053	0.0084	ASX200	7,213	
EUR/GBP	0.8596	0.0013	0.0035	0.0073	0.0151	Dow Jones	33,476	
						S&P 500	3,934	
						FTSE100	7,477	
						DAX 30	14,371	
						Nikkei	27,901	
						COMMODITIES		
							USD	
						Brent Crude	76.10	
						Gold	1,796.62	
						Silver	23.47	
						Iron Ore	110.48	
						CRB Index	288.16	
							NZD	
						NZ Carbon	83.25	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	4.35%		3.07%
90 day bank bills	4.52%		3.18%
1 year swap	5.32%		3.54%
2 year swap	5.13%		3.61%
3 year swap	4.78%		3.56%
5 year swap	4.40%		3.48%
10 year swap	4.21%		3.73%
3 year Govt bond	4.55%		3.06%
5 year Govt bond	4.25%		3.13%
10 year Govt bond	4.11%		3.37%

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