

Market Alert

Thursday 15 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6419	0.0004
NZD/AUD	0.9395	-0.0065
NZD/JPY	87.06	-2.14
NZD/EUR	0.6025	-0.0075
NZD/GBP	0.5184	-0.0020
NZD/CNH	4.4609	-0.0537
AUD/USD	0.6830	0.0051
AUD/EUR	0.6416	-0.0036
EUR/USD	1.0645	0.0139
USD/CNH	6.9520	-0.0885
GBP/USD	1.2379	0.0052
EUR/GBP	0.8599	0.0071

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.55%	3.20%
2 year swap	5.15%	3.66%
10 year Govt	4.19%	3.45%

Fed plays to the script!

The Federal Reserve played up to expectations and hiked the Fed funds range 50bps to 4.25%-4.50%. New forecasts show headline PCE inflation to reach 5.6%, from September's 5.4%, with the core at 4.7% from 4.5%. Looking at the 'dot plot' graph, it suggests a 5.1% peak in 2023 with the year end-2024 and end-2025 forecasts at 4.1% and 3.1% respectively. The reaction, after the statement but ahead of the press conference, was muted with the 10-year treasury yield up 4bps to 3.54% while the NZD and AUD both cemented in their gains.

Ahead of the Fed announcement, most financial market products had made

modest gains with the NZD and Asian EM currencies set to cap one of their biggest 2-month rallies on record. Goldman sees more gains going into 2023.

Data releases overnight saw UK inflation ease to 10.7% in November from October's 11.1%, Euro-zone industrial production slump -2.0% following September's downwardly revised 0.8%, while US import prices dropped -0.6% in November

Morgan Stanley has raised its China GDP forecast for 2023 to 5.4% from 5.0% as "Investor positioning in China's assets is still low and this recovery is not fully priced in equity and FX markets. We expect that with the Covid reopening, a rebound in activity will come earlier than expected." Against this, the Asian Development Bank has cut its Chinese GDP forecasts for 2022 to 3.0% from 3.3% while it has also cut its 2023 forecast to 4.3% from September's 4.6%

In NZ, the RBNZ Deputy Governor Christian Hawkesby was on the newswires yesterday stating, "The shortage of workers is the most pressing constraint on the economy. So far, the higher rates have had little impact. The natural rate has risen (although) the Bank needs to keep up with inflation. We need to do more to lower inflation." We also had the NZ Treasury open up their books for the half-year peak at their accounts, and it was broadly positive with the Government's books in a stronger position than projected in the Budget earlier this year, although they are forecasting 3 quarters

of negative economic growth next year with the recession shrinking the local economy by 0.8%. It is also projected the governments populists' policies, such as the cut to petrol excise tax, will be phased early next year which will add to inflation. Finally, the NZ Q3 current account balance fell to NZD-10.2bn, which was slightly worse than the NZD -10bn expected. As a percentage of GDP, the current account deficit is at -7.9% which is slightly better than the -8.0% expected -8.0%.

In Australia, one of the local banks has forecast a "25bp rate hike from the RBA at the next meeting in February, then another 25bp hike at the March meeting. This'll take the cash rate target to 3.6%. We then see the RBA pausing."

Is this the death of crypto? FTX co-founder Sam Bankman-Fried potentially faces up to 115 years in prison if he's convicted on all charges after conducting "one of the biggest financial frauds in American history."

What is that funny smell?

Well, if you are in New York, it could be something to do with the fire at the New York Police Department's evidence warehouse. I suspect 12-months of 'Mary-Jane' busts may produce a familiar odour!



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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	73.80					CAD	0.8723	0.9278
NZD/USD	0.6419	0.0004	0.0008	0.0004	-0.0007	CHF	0.5942	0.6323
NZD/AUD	0.9395	-0.0007	-0.0024	-0.0065	-0.0130	CNY	4.4801	4.7705
NZD/JPY	87.06	-0.34	-0.96	-2.14	-4.51	DKK	4.4842	4.7713
NZD/EUR	0.6025	-0.0013	-0.0034	-0.0075	-0.0153	FJD	1.3882	1.4771
NZD/GBP	0.5184	-0.0003	-0.0008	-0.0020	-0.0042	HKD	4.9913	5.3109
						KRW	832.97	886.30
AU TWI	62.10					MYR	2.8167	2.9970
AUD/USD	0.6813	0.0009	0.0025	0.0051	0.0082	NOK	6.2741	6.6758
AUD/NZD	0.6535	0.0008	0.0024	0.0069	0.0137	SEK	6.5529	6.9725
AUD/JPY	92.63	-0.29	-0.80	-1.68	-3.62	SGD	0.8663	0.9218
AUD/EUR	0.6416	-0.0009	-0.0021	-0.0036	-0.0077	TWD	19.58	20.84
AUD/GBP	0.5516	0.0000	0.0005	0.0016	0.0030	ZAR	11.05	11.76
USD Index	103.90					EQUITIES		
EUR/USD	1.0645	0.0029	0.0073	0.0139	0.0262		Index	
USD/JPY	135.66	-0.61	-1.66	-3.43	-7.01	NZX50	11,585	
GBP/USD	1.2379	0.0015	0.0031	0.0052	0.0083	ASX200	7,251	
EUR/GBP	0.8599	0.0013	0.0035	0.0071	0.0149	Dow Jones	34,020	
						S&P 500	4,051	
						FTSE100	7,496	
						DAX 30	14,460	
						Nikkei	28,156	
INTEREST RATES		New Zealand	Australia			COMMODITIES		
		Mid	Mid				USD	
30 day bank bills		4.35%	3.07%			Brent Crude	82.51	
90 day bank bills		4.55%	3.20%			Gold	1,800.39	
1 year swap		5.34%	3.59%			Silver	23.47	
2 year swap		5.15%	3.66%			Iron Ore	109.23	
3 year swap		4.86%	3.61%			CRB Index	297.78	
5 year swap		4.52%	3.56%				NZD	
10 year swap		4.33%	3.81%			NZ Carbon	84.00	
3 year Govt bond		4.63%	3.13%					
5 year Govt bond		4.33%	3.20%					
10 year Govt bond		4.19%	3.45%					

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