

# Market Alert

Friday 16 December 2022

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6338 | 0.0002  |
| NZD/AUD    | 0.9464 | -0.0067 |
| NZD/JPY    | 87.30  | -2.18   |
| NZD/EUR    | 0.5965 | -0.0073 |
| NZD/GBP    | 0.5203 | -0.0023 |
| NZD/CNH    | 4.4338 | -0.0575 |
| AUD/USD    | 0.6696 | 0.0047  |
| AUD/EUR    | 0.6301 | -0.0035 |
| EUR/USD    | 1.0623 | 0.0132  |
| USD/CNH    | 6.9950 | -0.0916 |
| GBP/USD    | 1.2177 | 0.0050  |
| EUR/GBP    | 0.8723 | 0.0067  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 4.25% | 3.10%     |
| 90 day bills | 4.58% | 3.22%     |
| 2 year swap  | 5.31% | 3.75%     |
| 10 year Govt | 4.35% | 3.54%     |

## All together now

The ECB, BoE and Swiss National Bank followed the Fed's initiative with 50bps hikes overnight, while the Norwegian central bank hiked their rates 25bps to 2.75%.

The ECB statement highlighted that "interest rates will still have to rise significantly at a steady pace" and that "keeping interest rates at restrictive levels will over time reduce inflation." In the Q&A ECB President Christine Lagarde added that increments of 50bps hikes looked 'about right' and that the ECB was "in for a long game." Rumour has it that Ms. Lagarde offered policymakers back-to-back 50bps hikes to secure a consensus

agreement, which could ultimately mean three 50bps hikes by ECB should the inflation outlook fails to improve. The ECB also coupled the rate hike with a decision to shrink the central bank's EUR5 trillion bond portfolio from March next year.

The hawkish tone of the ECB wasn't reflected by the BoE policymakers after they lifted their cash rate to a 14-year high of 3.5%. The meeting saw another three-way vote-split, with one policymaker voting for a more aggressive 75bps hike, two voting for no change at all, with the remain 6 in agreement for the 50bps. Traders pared back their forecasts, with the market pricing in a 4.52% interest rate by August, down from 4.61%.

Overnight US data came out with retail sales declining -0.6% in November in what was its biggest drop of the year. Manufacturing and trade inventories increased by 0.3% on the month. Initial claims fell by 20k to 211k, which was well below expectations of 230k. Finally, the Philadelphia Fed manufacturing index remains firmly in negative territory after it rose 6-points to -13.8

The Australian jobs data saw the unemployment rate for November come in as expected at 3.4%, although there was a huge surge in the number of full-time workers; 64k starting new positions as the employment-to-population rate reached a record high at 64.5%. The under-employment rate lower fell to 5.8%, its lowest level since August 2008

while the under-utilisation rate also fell, reaching 9.3%. The Melbourne Institute consumer inflation expectations survey fell to 5.2% from 6.0%

Yesterday saw the release of New Zealand's Q3 GDP, which surprised to the topside, reaching 2.0% on the quarter and 6.4% on the year, against forecasts of 0.9% and 5.5%... but don't worry, a recession is coming!

Chinese 'activity data' for November showed retail sales collapsed -5.9% on the year, industrial production gained 2.2%, while the unemployment rate increased to 5.7%. Meanwhile, Chinese house prices fell -0.2% on the month and -1.6% on the year. All up, the data disappointed, but with the re-opening in play, this data will largely be ignored.

## Markets and currencies collapse

Equity markets were under the pump last night as the weaker than expected data and the 'higher for longer' Fed comments saw 'risk' assets come under pressure. European and US equity markets were -1.75% to 3.75% lower, as were commodity prices. International bond yields were also marked lower after the T-bond fell 5bps to 3.43%, although the German 10-year yield surged 15bps to 2.08% after the ECB raised its inflation projections. The US-dollar index advanced against most of its G-10 peers, which saw the NZD and AUD fall below key support levels.



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# Daily Rates

Friday 16 December 2022

| FX                    | Spot   | FECs (mid)         |                  |         |         | Spot Mid           |              |        |
|-----------------------|--------|--------------------|------------------|---------|---------|--------------------|--------------|--------|
|                       | Mid    | 1mth               | 3mths            | 6mths   | 12mths  | NZD/...            | AUD/...      |        |
| NZ TWI                | 73.70  |                    |                  |         |         | CAD                | 0.8661       | 0.9150 |
| NZD/USD               | 0.6338 | 0.0004             | 0.0007           | 0.0002  | -0.0010 | CHF                | 0.5889       | 0.6221 |
| NZD/AUD               | 0.9464 | -0.0007            | -0.0025          | -0.0067 | -0.0140 | CNY                | 4.4297       | 4.6766 |
| NZD/JPY               | 87.30  | -0.32              | -0.99            | -2.18   | -4.58   | DKK                | 4.4362       | 4.6868 |
| NZD/EUR               | 0.5965 | -0.0012            | -0.0034          | -0.0073 | -0.0147 | FJD                | 1.3832       | 1.4614 |
| NZD/GBP               | 0.5203 | -0.0003            | -0.0008          | -0.0023 | -0.0049 | HKD                | 4.9286       | 5.2069 |
|                       |        |                    |                  |         |         | KRW                | 835.30       | 882.48 |
| AU TWI                | 62.00  |                    |                  |         |         | MYR                | 2.7982       | 2.9563 |
| AUD/USD               | 0.6813 | 0.0009             | 0.0025           | 0.0047  | 0.0074  | NOK                | 6.2504       | 6.6042 |
| AUD/NZD               | 0.6535 | 0.0007             | 0.0026           | 0.0070  | 0.0141  | SEK                | 6.5551       | 6.9254 |
| AUD/JPY               | 92.23  | -0.27              | -0.81            | -1.69   | -3.59   | SGD                | 0.8621       | 0.9108 |
| AUD/EUR               | 0.6301 | -0.0008            | -0.0020          | -0.0035 | -0.0068 | TWD                | 19.48        | 20.58  |
| AUD/GBP               | 0.5497 | 0.0001             | 0.0005           | 0.0014  | 0.0025  | ZAR                | 11.12        | 11.75  |
| USD Index             | 104.59 |                    |                  |         |         | <b>EQUITIES</b>    |              |        |
| EUR/USD               | 1.0623 | 0.0027             | 0.0072           | 0.0132  | 0.0235  |                    | <b>Index</b> |        |
| USD/JPY               | 137.74 | -0.58              | -1.71            | -3.48   | -6.94   | NZX50              | 11,602       |        |
| GBP/USD               | 1.2177 | 0.0013             | 0.0030           | 0.0050  | 0.0078  | ASX200             | 7,205        |        |
| EUR/GBP               | 0.8723 | 0.0012             | 0.0035           | 0.0067  | 0.0131  | Dow Jones          | 33,087       |        |
|                       |        |                    |                  |         |         | S&P 500            | 3,884        |        |
|                       |        |                    |                  |         |         | FTSE100            | 7,426        |        |
|                       |        |                    |                  |         |         | DAX 30             | 13,986       |        |
|                       |        |                    |                  |         |         | Nikkei             | 28,052       |        |
| <b>INTEREST RATES</b> |        | <b>New Zealand</b> | <b>Australia</b> |         |         | <b>COMMODITIES</b> |              |        |
|                       |        | <b>Mid</b>         | <b>Mid</b>       |         |         |                    | <b>USD</b>   |        |
| 30 day bank bills     |        | 4.35%              | 3.06%            |         |         | Brent Crude        | 81.73        |        |
| 90 day bank bills     |        | 4.58%              | 3.22%            |         |         | Gold               | 1,778.96     |        |
| 1 year swap           |        | 5.45%              | 3.69%            |         |         | Silver             | 23.11        |        |
| 2 year swap           |        | 5.31%              | 3.75%            |         |         | Iron Ore           | 109.26       |        |
| 3 year swap           |        | 5.02%              | 3.67%            |         |         | CRB Index          | 299.54       |        |
| 5 year swap           |        | 4.68%              | 3.64%            |         |         |                    | <b>NZD</b>   |        |
| 10 year swap          |        | 4.46%              | 3.91%            |         |         | NZ Carbon          | 80.20        |        |
| 3 year Govt bond      |        | 4.80%              | 3.20%            |         |         |                    |              |        |
| 5 year Govt bond      |        | 4.48%              | 3.28%            |         |         |                    |              |        |
| 10 year Govt bond     |        | 4.35%              | 3.54%            |         |         |                    |              |        |

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