

Market Alert

Monday 16 January 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6385	-0.0001
NZD/AUD	0.9147	-0.0065
NZD/JPY	81.60	-2.05
NZD/EUR	0.5853	-0.0065
NZD/GBP	0.5219	-0.0022
NZD/CNH	4.2825	0.0000
AUD/USD	0.6975	0.0048
AUD/EUR	0.6439	-0.0026
EUR/USD	1.0828	0.0119
USD/CNH	6.7072	0.0000
GBP/USD	1.2226	0.0047
EUR/GBP	0.8855	0.0061

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.82%	3.36%
2 year swap	5.01%	3.70%
10 year Govt	4.10%	3.67%

Welcome to 2023

First Market Alert after the Christmas and New Year's break, and everything feels a little strange ...

Last Friday saw the US University of Michigan consumer sentiment reach its highest level since April as it accelerated to 64.6, from December's 59.7. Meanwhile, Goldman Sachs is forecasting the Fed to slow its hiking cycle back to incremental increases of 25bp rate hikes in February, March, and May after last week's encouraging US CPI report. To some extent, this positivity was also backed up by St. Louis Fed President James Bullard when he announced the "Prospects for a US soft

landing have increased as households remain flush," although he then warned, "Rates will have to stay higher for longer to avoid a repeat of 1970s although the Fed's action, with the prospect of more hikes is helping dampen inflation." Richmond Fed President Tom Barkin announced he's "Supportive of a rate path that's slower but potentially higher."

But before we get too carried away, IMF Managing Director Kristalina Georgieva announced, "Inflation remains stubborn and central banks must continue to press for price stability. The risk of spiking oil prices did not materialise, and labour markets remain vibrant. We expect the global economy to 'bottom out' towards the end of 2023/early 2024. The IMF is not expecting to downgrade its October forecast for 2.7% global growth in 2023."

UK GDP showed the British economy expanded 0.1% in November from October of 2022, while BoA is targeting GBP/USD to 1.12 and EUR/GBP to 0.89 by the end of Q1 as, "We expect a recession in the UK, forecasting the largest real disposable income drop since at least the mid-1950s; and, while headline inflation has likely peaked, they expect the underlying inflation pressures to persist."

Exports from China slumped 9.9% from a year earlier to USD306.08 billion in December, broadly in line with market consensus of a 10% fall. China has essentially ended its ban on Australian coal after customs officials received notification from the government that they can clear Australian coal shipments.

Friday saw the Q4 US earnings season kick off, with the US banking sector producing a mixed bag of results, but while equities put in another 'solid' session, BoA is expecting the S&P to slide almost 10% to 3,600 points before rallying back to the 4,200 level in 2H 2023, while Goldman expects the S&P to end the year at 4,000. Commodities also had a positive session while the 10-year US yield firmed to the 3.50% level. The NZD/USD remained around the 0.6375 level although the AUD/USD continues to target the 0.7000, which saw NZD/AUD ease back to 0.9135.

And we're off and racing this time ...

We are straight back into 'business as usual' mode with a full week of data releases, although it should be noted that today is a US holiday. This week see's the release of US retail sales, PPIs, and further corporate earnings reports. We also have inflation releases from the UK and Japan, a BoJ meeting as well. Finally, from China, we have Q4 GDP, industrial production, and retail sales for China.



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Daily Rates

Monday 16 January 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.40					CAD	0.8553	0.9341
NZD/USD	0.6385	0.0003	0.0003	-0.0001	-0.0021	CHF	0.5916	0.6456
NZD/AUD	0.9147	-0.0008	-0.0028	-0.0065	-0.0127	CNY	4.2669	4.6622
NZD/JPY	81.60	-0.30	-0.95	-2.05	-4.24	DKK	4.3847	4.7899
NZD/EUR	0.5853	-0.0011	-0.0032	-0.0065	-0.0129	FJD	1.3719	1.4987
NZD/GBP	0.5219	-0.0003	-0.0008	-0.0022	-0.0048	HKD	4.9862	5.4469
						KRW	789.99	862.99
AU TWI	61.70					MYR	2.7673	3.0230
AUD/USD	0.6813	0.0008	0.0025	0.0048	0.0077	NOK	6.2488	6.8262
AUD/NZD	0.6535	0.0008	0.0031	0.0073	0.0139	SEK	6.6262	7.2384
AUD/JPY	89.17	-0.26	-0.78	-1.63	-3.47	SGD	0.8422	0.9201
AUD/EUR	0.6439	-0.0006	-0.0016	-0.0026	-0.0054	TWD	19.34	21.13
AUD/GBP	0.5701	0.0002	0.0008	0.0016	0.0025	ZAR	10.72	11.71
USD Index	102.18					EQUITIES		
EUR/USD	1.0828	0.0023	0.0063	0.0119	0.0211		Index	
USD/JPY	127.88	-0.52	-1.56	-3.20	-6.28	NZX50	11,754	
GBP/USD	1.2226	0.0009	0.0026	0.0047	0.0084	ASX200	7,328	
EUR/GBP	0.8855	0.0011	0.0033	0.0061	0.0114	Dow Jones	34,303	
						S&P 500	3,999	
						FTSE100	7,844	
						DAX 30	15,087	
						Nikkei	26,120	
						COMMODITIES		
							USD	
						Brent Crude	85.28	
						Gold	1,920.21	
						Silver	24.25	
						Iron Ore	122.33	
						CRB Index	299.86	
							NZD	
						NZ Carbon	73.25	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	4.35%		3.11%
90 day bank bills	4.82%		3.36%
1 year swap	5.37%		3.69%
2 year swap	5.01%		3.70%
3 year swap	4.66%		3.65%
5 year swap	4.34%		3.65%
10 year swap	4.27%		3.96%
3 year Govt bond	4.43%		3.23%
5 year Govt bond	4.15%		3.34%
10 year Govt bond	4.10%		3.67%

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