

# Market Alert

Monday 20 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6240	0.0002
NZD/AUD	0.9074	-0.0054
NZD/JPY	83.72	-2.17
NZD/EUR	0.5836	-0.0056
NZD/GBP	0.5178	-0.0020
NZD/CNH	4.2920	0.0000
AUD/USD	0.6864	0.0043
AUD/EUR	0.6418	-0.0024
EUR/USD	1.0694	0.0107
USD/CNH	6.8626	0.0000
GBP/USD	1.2042	0.0050
EUR/GBP	0.8885	0.0050

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.35%
90 day bills	4.99%	3.52%
2 year swap	5.07%	4.03%
10 year Govt	4.42%	3.92%

## Inflation this, inflation that

Markets retreated across the board to close out last week, worried about the Fed's larger rate hikes amid rising bond yields and inflationary reports. The yields on 10-year and 2-year US Treasury bonds rose to November 2022 levels, weighing on sentiment. Furthermore, Thursday's data showed that producer prices hit the highest level in seven months during January, supporting the need for larger rate hikes as inflation remains sticky. As expected, speeches from Fed officials also supported that the central bank will have to keep raising interest rates to cool the economy. Staying in the US, import prices dropped 0.2% in January. This was the seventh consecutive month of decline in import prices, led by a fall in fuel costs, down -4.9% for the month.

In the UK, retail sales increased 0.5% in the January month above market forecasts of a 0.3% decline, rebounding from the 1.2% fall in December. Increases came from non-food stores and higher fuel demand despite fuel prices easing. Sales at food stores fell 0.5% with customers getting less because of increased cost of living and food prices.

## A big week ahead

On the Data front, it's a busy week with the FOMC minutes taking the spotlight with data increasing speculation that the Fed will raise rates more than it did earlier this month and hold them higher for longer.

Also in the US markets will be watching personal income, spending, PCE price index, and the second estimate for Q4 GDP. PMIs manufacturing and services reading are expected for major economies including the US, UK and Germany.

In China, the key loan prime rates will be announced. Markets expect the one-year to remain at 3.65% and the five-year tenor at 4.30%, especially after new bank loans jumped more than projected to a record CNY4.9 trillion last month and after the PBoC left the medium-term lending facility rate steady the previous week.

Locally, in Australia, flash PMIs, wage price index, will be in the spotlight. In New Zealand, the RBNZ will take centre stage and is largely expected to deliver a

smaller 50bps rate hike after the 75bps increase in November. However, with recent weather events that struck much of the North Island, Kiwibank (and anyone with a sense of compassion) has called for the RBNZ to pause its rate hiking cycle as "we deal with the devastating impact of Cyclone Gabrielle. The RBNZ can (always) come back in April and resume tightening if required."

The NZD/USD has at 0.6237, after touching just below the 0.6200 on Friday and bouncing back. Meanwhile, the AUD/USD is at 0.6870, however the USD index is still holding flat at 103.8 level. Oil prices remain stable despite volatility, as the Brent Crude closed the last week at 83.15. On the equities side, Dow Jones, S&P 500 and Nasdaq remained in the red as investors worry about the Fed's larger rate hikes.



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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	71.00					CAD	0.8411	0.9264
NZD/USD	0.6240	0.0000	0.0002	0.0002	0.0003	CHF	0.5769	0.6353
NZD/AUD	0.9074	-0.0008	-0.0026	-0.0054	-0.0101	CNY	4.2799	4.7107
NZD/JPY	83.72	-0.32	-1.04	-2.17	-4.48	DKK	4.3477	4.7824
NZD/EUR	0.5836	-0.0010	-0.0029	-0.0056	-0.0114	FJD	1.3714	1.5086
NZD/GBP	0.5178	-0.0002	-0.0009	-0.0020	-0.0048	HKD	4.8948	5.3843
						KRW	808.62	889.49
AU TWI	62.00					MYR	2.7643	3.0408
AUD/USD	0.6864	0.0007	0.0022	0.0043	0.0074	NOK	6.4005	7.0405
AUD/NZD	1.1014	0.0009	0.0030	0.0062	0.0105	SEK	6.5409	7.1950
AUD/JPY	92.24	-0.27	-0.89	-1.86	-3.98	SGD	0.8340	0.9174
AUD/EUR	0.6418	-0.0005	-0.0013	-0.0024	-0.0057	TWD	18.93	20.82
AUD/GBP	0.5696	0.0002	0.0007	0.0011	0.0009	ZAR	11.26	12.39
USD Index	103.88					<b>EQUITIES</b>		
EUR/USD	1.0694	0.0018	0.0055	0.0107	0.0206		<b>Index</b>	
USD/JPY	134.15	-0.52	-1.71	-3.53	-7.21	NZX50	12,145	
GBP/USD	1.2042	0.0006	0.0022	0.0050	0.0108	ASX200	7,347	
EUR/GBP	0.8885	0.0010	0.0028	0.0050	0.0087	Dow Jones	4,079	
						S&P 500	Access Denie	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,004	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,482	
30 day bank bills			4.73%		3.36%	Nikkei	27,513	
90 day bank bills			4.99%		3.52%	<b>COMMODITIES</b>		
1 year swap			5.30%		4.04%		<b>USD</b>	
2 year swap			5.07%		4.03%	Brent Crude	83.00	
3 year swap			4.79%		3.93%	Gold	1,841.15	
5 year swap			4.52%		3.91%	Silver	21.72	
10 year swap			4.47%		4.19%	Iron Ore	124.94	
3 year Govt bond			4.57%		3.55%	CRB Index	292.10	
5 year Govt bond			4.37%		3.62%		<b>NZD</b>	
10 year Govt bond			4.42%		3.92%	NZ Carbon	70.05	

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