

# Market Alert

Friday 3 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6473	0.0000
NZD/AUD	0.9149	-0.0061
NZD/JPY	83.29	-2.12
NZD/EUR	0.5934	-0.0059
NZD/GBP	0.5291	-0.0020
NZD/CNH	4.3613	-0.0505
AUD/USD	0.7075	0.0047
AUD/EUR	0.6484	-0.0024
EUR/USD	1.0906	0.0109
USD/CNH	6.7372	-0.0791
GBP/USD	1.2230	0.0042
EUR/GBP	0.8916	0.0054

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.94%	3.40%
2 year swap	4.75%	3.55%
10 year Govt	4.10%	3.62%

## Central Banks remain transparent.

A rate hike of 50bps was set in stone, and the ECB duly obliged hiking the deposit rate by 50bps to 2.50%, with another 50bps hike priced in for March after ECB President Christine Lagarde announced, "we will raise rates by 50bps at the next meeting and then evaluate the path. The economy is more resilient than expected (although) growth is expected to stay weak. It is important to start rolling back fiscal support." At this stage, policymakers see at least two more rate hikes with a terminal rate of 3.50%.

And in a similar vein, the BoE hiked 50bps to 4.0% with the vote carried by 7-2. And while more increases are likely, the MPC

removing the word "forcefully" from its forward guidance suggests we may be nearing the end which saw gilt yields fall and the pound weaken.

## I'm siding with Mr. Powell and Mr. Rieder

Fed Chair Jerome Powell's 'balanced' Q&A session got the bear's very excited that the US rate hiking cycle was nearing its peak, which saw the 10-year treasury yield falling below the 3.40% level and the USD come under selling pressure. This saw the NZD/USD top out at 0.6538, the AUD/USD trade at 0.7159, and the EUR/USD reached 1.1036, but, since the ECB's and BoE's hikes, the USD has recovered to bring these currencies back towards the mid-points of their recent ranges.

BlackRock MD, Rick Rieder, isn't getting too carried away either as he expects further rate hikes by the Fed believing Mr. Powell "signalled to economic observers and market participants that the job of inflation-fighting isn't accomplished yet, but the trend is moving in the right direction. The Fed will now embark upon a process of slow and steady rate hikes of 25 bps moves, in order to better observe the incoming data and be able to react accordingly. The direction of travel from here will be another 25bps hike, and maybe one more after, hiking towards a restrictive interest rate policy level of around, or just above, 5.0%".

Ahead of tonight's non-farm payrolls numbers, initial claims fell by 3k to 183k although it should be noted US-based companies announced 102k job cuts in January. Interestingly, the tech sector contributed to 41% of all redundancies.

BoJ Deputy Governor, Masazumi Wakatabe, laid out his credentials for the top job warning against watering down the bank's 2.0% inflation target as it would undermine the effects of their ultra-loose monetary policy, and that he would continue to conduct monetary policy to achieve their target via wage growth.

Australia's most bearish bank has forecast the RBA will only undertake one more 25bp rate hike to take the terminal rate to 3.35%, although a 40bps rate hike cannot be ruled out. Either way, in their view this will be the last hike of this cycle.

NZ building permits plummeted -7.2% in December from November's 6.7% gain.

Meta shares rocket 25% on strong results and positive comments from CEO Zuckerberg, although Gautam Adani has seen USD52 billion of value wiped off his Adani group in the last 6-days.

Equities, commodities, and bonds have all had positive sessions overnight, with the Nasdaq's 3.80% rally the standout performer. The T-bond has been steady at 3.40% since the Powell's press conference, with currencies at, or just above, their pre-FOMC levels.



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# Daily Rates

Friday 3 February 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.30					CAD	0.8624	0.9426
NZD/USD	0.6473	0.0002	0.0002	0.0000	-0.0005	CHF	0.5913	0.6464
NZD/AUD	0.9149	-0.0008	-0.0028	-0.0061	-0.0119	CNY	4.3696	4.7754
NZD/JPY	83.29	-0.29	-1.01	-2.12	-4.33	DKK	4.4154	4.8255
NZD/EUR	0.5934	-0.0009	-0.0030	-0.0059	-0.0120	FJD	1.3784	1.5066
NZD/GBP	0.5291	-0.0002	-0.0009	-0.0020	-0.0050	HKD	5.0770	5.5492
						KRW	793.07	866.83
AU TWI	62.90					MYR	2.7465	3.0019
AUD/USD	0.7075	0.0008	0.0024	0.0047	0.0079	NOK	6.5037	7.1094
AUD/NZD	1.0926	0.0008	0.0032	0.0069	0.0132	SEK	6.7141	7.3382
AUD/JPY	91.02	-0.25	-0.84	-1.75	-3.63	SGD	0.8478	0.9265
AUD/EUR	0.6484	-0.0005	-0.0014	-0.0024	-0.0050	TWD	19.23	21.01
AUD/GBP	0.5783	0.0003	0.0008	0.0015	0.0020	ZAR	11.05	12.08
USD Index	101.76					<b>EQUITIES</b>		
EUR/USD	1.0906	0.0019	0.0059	0.0109	0.0199		<b>Index</b>	
USD/JPY	128.67	-0.49	-1.63	-3.29	-6.48	NZX50	12,152	
GBP/USD	1.2230	0.0006	0.0021	0.0042	0.0090	ASX200	7,512	
EUR/GBP	0.8916	0.0010	0.0030	0.0054	0.0094	Dow Jones	33,923	
						S&P 500	4,150	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,820	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,509	
30 day bank bills			4.56%		3.25%	Nikkei	27,402	
90 day bank bills			4.94%		3.40%	<b>COMMODITIES</b>		
1 year swap			5.20%		3.65%		<b>USD</b>	
2 year swap			4.75%		3.55%	Brent Crude	82.11	
3 year swap			4.42%		3.45%	Gold	1,913.25	
5 year swap			4.17%		3.46%	Silver	23.44	
10 year swap			4.15%		3.80%	Iron Ore	126.33	
3 year Govt bond			4.21%		3.16%	CRB Index	295.96	
5 year Govt bond			3.98%		3.26%		<b>NZD</b>	
10 year Govt bond			4.10%		3.62%	NZ Carbon	72.40	

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