

Market Alert

Friday 17 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6173	-0.0011
NZD/AUD	0.9281	-0.0080
NZD/JPY	82.39	-2.35
NZD/EUR	0.5814	-0.0070
NZD/GBP	0.5092	-0.0028
NZD/CNH	4.2595	-0.0605
AUD/USD	0.6650	0.0044
AUD/EUR	0.6264	-0.0023
EUR/USD	1.0612	0.0106
USD/CNH	6.9000	-0.0848
GBP/USD	1.2122	0.0039
EUR/GBP	0.8754	0.0055

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.06%	3.71%
2 year swap	4.98%	3.52%
10 year Govt	4.42%	3.45%

Confidence restored!

Well, not quite but it's a step in the right direction.

Hours ahead of the European market open, Credit Suisse ("CS") announced it was planning to borrow up to CHF50 billion (USD54 billion) from the SNB under a covered loan facility that is "fully collateralized by high quality assets" which begs the question, does CS have any high quality assets left to pledge? Unfortunately, CS credit default swaps are now 10x higher than when Lehman imploded!

This should keep the wolves from the door ... in support of the US bank, First Republic Bank, CNBC announced there is a "syndicate of banks lining up to deposit funds into first Republic. BoA, Wells Fargo,

JPM, and Citibank have all pledged USD5 billion. Goldmans, Morgan Stanley has pledged USD2.5 billion. Trust, PNC, US Bancorp, MT and Capital One are each in for USD1 billion each." To the best of my knowledge, US Bancorp has no affiliation with Bancorp NZ.

Despite the banking run, the ECB didn't want to risk damaging its inflation-fighting credibility and delivered the pre-announced 50bps hike, taking the deposit and lending rates to 3.00% and 3.75%, although they did add, "the Euro-area banking sector is resilient, with strong capital and liquidity positions. We are monitoring current market tensions closely and are ready to respond as necessary." Since the meeting, a 'source' announced, "the ECB feared that ditching a 50bps hike would panic investors. Several more hawkish members see the terminal rate well above the current 3.0%."

US initial claims fell to 192,000, below expectations at 205,000, the Philadelphia Fed manufacturing index ticked up 1 point to -23.2, missing market expectations at -15.6. Meanwhile, the Atlanta Fed GDPNow estimate for Q1 remains unchanged at 3.2%. Goldman Sachs has cut its US GDP growth forecast to 1.2% citing the banking crisis impact upon credit growth.

As confidence is restored, we have seen a sense of calm restored to financial markets. Equities markets have recovered between 1.0% and 2.5%, commodities have stabilised, while treasury yields firmed with the US

2-years 24bps higher at 4.13% while the 10-years rallied 10bps to 3.56%. Market pricing now has an 84% chance the Fed will hike 25bps. The NZD is weaker across the board, as per the GDP print, while the AUD and EUR posted modest gains against the USD.

The good ship New Zealand isn't just leaking ...

... its hit a reef and is sinking! Following on from the horrific current account deficit, NZ Q4 GDP plummeted to -0.6% against market forecasts at -0.2%, and the RBNZ's projection of 0.7%. What was yesterday's report on the RBNZ that suggested "the RBNZ needs to improve the accuracy of its inflation forecasts. To achieve that requires the successful employment of technical expertise." Ouch! It's a horrific read but don't worry, Finance Minister, Grant Robertson stated, "despite the GDP data the economy in NZ remains resilient!" Well that's a Tui's advert if ever I've heard one!

In this environment, I'm not expecting the numbers of Kiwi's flying to Australia to stall anytime soon after the Australian unemployment rate fell to 3.5% even though 64,600 jobs were added against expectations of 48,500. In addition, 74,900 full-time jobs were added as part-time employment fell -10,300. In other headlines, Australian Treasurer Chalmers announced the "Australian banks are well capitalised, and the Australia's regulators are on top of developments."



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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	70.90					CAD	0.8471	0.9127
NZD/USD	0.6173	0.0000	-0.0002	-0.0011	-0.0037	CHF	0.5739	0.6184
NZD/AUD	0.9281	-0.0010	-0.0035	-0.0080	-0.0169	CNY	4.2528	4.5911
NZD/JPY	82.39	-0.39	-1.15	-2.35	-4.80	DKK	4.3310	4.6656
NZD/EUR	0.5814	-0.0011	-0.0035	-0.0070	-0.0145	FJD	1.3555	1.4603
NZD/GBP	0.5092	-0.0004	-0.0013	-0.0028	-0.0063	HKD	4.8457	5.2201
						KRW	804.93	867.13
AU TWI	60.20					MYR	2.7779	2.9925
AUD/USD	0.6650	0.0007	0.0022	0.0044	0.0065	NOK	6.6430	7.1563
AUD/NZD	1.0770	0.0011	0.0038	0.0090	0.0182	SEK	6.4909	6.9925
AUD/JPY	88.77	-0.32	-0.92	-1.79	-3.67	SGD	0.8313	0.8955
AUD/EUR	0.6264	-0.0005	-0.0014	-0.0023	-0.0048	TWD	18.84	20.30
AUD/GBP	0.5485	0.0002	0.0006	0.0015	0.0029	ZAR	11.38	12.26
USD Index	104.37					EQUITIES		
EUR/USD	1.0612	0.0019	0.0058	0.0106	0.0186		Index	
USD/JPY	133.52	-0.62	-1.82	-3.57	-6.74	NZX50	11,699	
GBP/USD	1.2122	0.0007	0.0023	0.0039	0.0058	ASX200	6,966	
EUR/GBP	0.8754	0.0009	0.0028	0.0055	0.0107	Dow Jones	32,198	
						S&P 500	3,948	
INTEREST RATES			New Zealand		Australia	FTSE100	7,410	
			Mid		Mid	DAX 30	14,967	
30 day bank bills			4.93%		3.65%	Nikkei	27,011	
90 day bank bills			5.06%		3.71%	COMMODITIES		
1 year swap			5.27%		3.52%		USD	
2 year swap			4.98%		3.52%	Brent Crude	74.62	
3 year swap			4.71%		3.50%	Gold	1,918.59	
5 year swap			4.43%		3.49%	Silver	21.67	
10 year swap			4.32%		3.85%	Iron Ore	130.09	
3 year Govt bond			4.58%		2.92%	CRB Index	281.18	
5 year Govt bond			4.41%		3.03%		NZD	
10 year Govt bond			4.42%		3.45%	NZ Carbon	66.75	

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