

Market Alert

Friday 24 March 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6253 | -0.0012 |
| NZD/AUD | 0.9357 | -0.0076 |
| NZD/JPY | 81.65 | -2.25 |
| NZD/EUR | 0.5763 | -0.0063 |
| NZD/GBP | 0.5093 | -0.0021 |
| NZD/CNH | 4.2697 | -0.0658 |
| AUD/USD | 0.6681 | 0.0041 |
| AUD/EUR | 0.6160 | -0.0017 |
| EUR/USD | 1.0842 | 0.0096 |
| USD/CNH | 6.8272 | -0.0926 |
| GBP/USD | 1.2273 | 0.0024 |
| EUR/GBP | 0.8833 | 0.0056 |

| INTR RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 4.75% | 3.60% |
| 90 day bills | 5.18% | 3.75% |
| 2 year swap | 4.92% | 3.36% |
| 10 year Govt | 4.27% | 3.39% |

Can I have a fiver each way please!

The perception yesterday's Federal Reserve rate hike was a dovish rate hike, I think needs some consideration. In raising the Fed funds rate by 25bps and signalling "some additional policy firming may be appropriate," Mr Powell also signalled they "may" only hike once more. But against this, as "gratifying" as it is that inflation has begun to slow, "given our outlook, I just I don't see us cutting rates this year." Ultimately, what this all means is that the Federal Reserve is hedging its bets and is not committing itself either way ... so any talk of dovish and hawkishness is just market waffle.

But one thing that has didn't get a lot of traction yesterday but is getting a lot more focus now is US Treasury secretary

Janet Yellen's comments ruling out an expansion of the Fed's deposit insurance scheme to protect savers with balances above USD250k stating, "I have not considered or discussed anything to do with blanket insurance or (increased) guarantees of deposits." This saw a further sell-off in shares of smaller US banks while Moody's warned, "looking forward, the longer financial conditions remain tight, the greater is the risk that stresses spread beyond the banking sector."

WSJ Fed whisperer, Nick Timiraos has warned, "Jerome Powell is dismissive of the financial conditions indexes which don't necessarily capture lending conditions and are over-weight equities and rates. He indicates the credit contraction from regional and small bank stress could easily have a significant macroeconomic effect."

Data-wise, US initial claims fell be fell 1k to 191k against expectations of 197k while Euro-zone consumer confidence edged down 0.1 to -19.2 in March, below market expectations of -18.3.

In Europe, they're sticking to their guns to shoot down inflation!

Despite the events related to Credit Suisse, the Swiss National Bank (SNB) has not flinched and raise their cash rate by 50bps to 1.50%, and signalled there are more hikes are to come as they resume their inflation fight. The BoE also hiked 25bps and left the door open to further increases with Governor Bailly

stating, "I don't know if 4.25% will be the peak in rates" while the Norges Bank, Norway's central bank, raised their cash rate by 25bp to 3.0% but surprised the markets by pledging to hike again in May as policymakers moved to counter the inflationary impacts of a weaker kroner. Interestingly, hedge funds are buying Credit Suisse's AT1 bonds betting the bonds will win a lucrative repayment, potentially through litigation.

The Japanese March Tankan survey showed a small improvement in the manufacturing and services indexes with manufacturing improving to -3 from -5 while non-manufacturing soared to 21 from 17.

RBNZ Chief Economist, Paul Conway, announced, "If inflation expectations don't fall, we may have to do more (hikes). Inflation is high and widespread because strong demand is outstripping supply. The OCR is now comfortably above neutral and having the desired contractionary effect."

Summing it all up, with banking stocks once again under selling pressure, international equity markets were a sea of red off between -1.0% and -2.0%. Commodities were also under pressure, with crude oil back below USD70p/b, while US yields were lower off -14bps in 2-yrs at 3.84% and -8bps lower at 3.41% in the 10-yrs. The USD has been relatively stable in amongst the chaos with the NZD/USD and AUD/USD slightly higher.



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Daily Rates

Friday 24 March 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 71.00 | | | | | CAD | 0.8575 | 0.9165 |
| NZD/USD | 0.6253 | 0.0000 | -0.0002 | -0.0012 | -0.0043 | CHF | 0.5724 | 0.6119 |
| NZD/AUD | 0.9357 | -0.0011 | -0.0035 | -0.0076 | -0.0151 | CNY | 4.2860 | 4.5828 |
| NZD/JPY | 81.65 | -0.38 | -1.11 | -2.25 | -4.50 | DKK | 4.2950 | 4.5897 |
| NZD/EUR | 0.5763 | -0.0010 | -0.0032 | -0.0063 | -0.0124 | FJD | 1.3645 | 1.4581 |
| NZD/GBP | 0.5093 | -0.0004 | -0.0010 | -0.0021 | -0.0047 | HKD | 4.9081 | 5.2441 |
| | | | | | | KRW | 804.02 | 859.06 |
| AU TWI | 60.40 | | | | | MYR | 2.7613 | 2.9503 |
| AUD/USD | 0.6681 | 0.0008 | 0.0022 | 0.0041 | 0.0062 | NOK | 6.5068 | 6.9527 |
| AUD/NZD | 1.0683 | 0.0012 | 0.0038 | 0.0083 | 0.0166 | SEK | 6.4593 | 6.9015 |
| AUD/JPY | 87.25 | -0.31 | -0.88 | -1.73 | -3.45 | SGD | 0.8299 | 0.8868 |
| AUD/EUR | 0.6160 | -0.0004 | -0.0012 | -0.0017 | -0.0033 | TWD | 18.96 | 20.26 |
| AUD/GBP | 0.5442 | 0.0003 | 0.0008 | 0.0021 | 0.0040 | ZAR | 11.31 | 12.09 |
| USD Index | 102.42 | | | | | EQUITIES | | |
| EUR/USD | 1.0842 | 0.0019 | 0.0056 | 0.0096 | 0.0152 | | Index | |
| USD/JPY | 130.52 | -0.61 | -1.74 | -3.36 | -6.33 | NZX50 | 11,595 | |
| GBP/USD | 1.2273 | 0.0007 | 0.0019 | 0.0024 | 0.0017 | ASX200 | 6,969 | |
| EUR/GBP | 0.8833 | 0.0010 | 0.0029 | 0.0056 | 0.0111 | Dow Jones | 31,928 | |
| | | | | | | S&P 500 | 3,942 | |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,500 | |
| | | | Mid | | Mid | DAX 30 | 15,210 | |
| 30 day bank bills | | | 5.00% | | 3.68% | Nikkei | 27,420 | |
| 90 day bank bills | | | 5.18% | | 3.75% | COMMODITIES | | |
| 1 year swap | | | 5.24% | | 3.54% | | USD | |
| 2 year swap | | | 4.92% | | 3.36% | Brent Crude | 75.39 | |
| 3 year swap | | | 4.65% | | 3.29% | Gold | 1,999.49 | |
| 5 year swap | | | 4.38% | | 3.42% | Silver | 23.08 | |
| 10 year swap | | | 4.27% | | 3.77% | Iron Ore | 127.73 | |
| 3 year Govt bond | | | 4.41% | | 2.95% | CRB Index | 283.60 | |
| 5 year Govt bond | | | 4.26% | | 3.03% | | NZD | |
| 10 year Govt bond | | | 4.27% | | 3.39% | NZ Carbon | 64.45 | |

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