

Market Alert

Tuesday 7 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6180	-0.0001
NZD/AUD	0.9194	-0.0065
NZD/JPY	84.07	-2.31
NZD/EUR	0.5791	-0.0058
NZD/GBP	0.5140	-0.0023
NZD/CNH	4.2972	-0.0584
AUD/USD	0.6723	0.0046
AUD/EUR	0.6298	-0.0020
EUR/USD	1.0673	0.0103
USD/CNH	6.9512	-0.0937
GBP/USD	1.2020	0.0048
EUR/GBP	0.8877	0.0047

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.35%
90 day bills	5.21%	3.68%
2 year swap	5.40%	4.08%
10 year Govt	4.70%	3.85%

25bps locked and loaded!

Ahead of today's RBA meeting the 'shadow board' recommended a 25bps cash rate hike, and with 27 out of 28 analysts supporting the call, we can pretty well take it as a given. Meanwhile, the Melbourne Institute's inflation gauge saw February inflation increase 0.4% on the month and 6.3% on the year, down from January's 0.9% but flat on the year. Core trim inflation reached 0.7% and 4.9%, from 5.3%.

The NZ commodity index increased 1.3% in February after falling -1.0% in January. In NZD terms, the index increased 2.0%.

US factory orders fell -1.6% in January following December's 1.7% gain and market forecasts for a -1.8% drop. The key catalyst was a 54.5% slump in

civilian aircraft orders which saw the transportation index tumbled 13.3%.

Euro-zone retail trade increased 0.3% following December's upwardly revised -1.7% drop, while, on the year, sales fell -2.3%. Meanwhile, ECB President Christine Lagarde announced, "In the short term, core inflation is going to be high. Further rate increase are now 'very very likely.' We must continue to take whatever measures are necessary to bring inflation back to 2%, and we will do so." Meanwhile, Austrian central bank chief Robert Holzmann announced, "The ECB should raise interest rates by 50bps at each of its next 4 meetings as inflation is proving to be stubborn," although ECB Chief Economist Philip Lane acknowledged that while the was need for more increases, with 50bps already pencilled in for later in the month, he warned against moving policy to "autopilot" mode.

The Vice-Chair of China's state planner announced, "China's economy steadily is improving (which) will release the potential for consumption. We will prudently tackle risks related to real estate, finance, and local government debt. (We are) confident and capable of reaching this year's CPI target." And following on from yesterday's 5.0% GDP announcement, it was also announced the government is aiming to create 12 million urban jobs and raise its fiscal deficit projection, while President Xi has pledged "forceful" measures to boost high-end manufacturing. Meanwhile, UBS has issued a revised growth forecast for China raising 2023 GDP to 5.4% from

4.9% and to 5.2% from 4.8% for 2024. For 2023 inflation, they downgraded CPI to 2.5% from 3.0% as, "The economic re-opening is proceeding better than we had expected earlier - the feared 'second wave' of Covid did not materialize and there was little sign of supply disruptions."

We all know the Brits love the status of a new car, so we shouldn't be surprised UK new car registrations increased 26.2% in the year to February, although they should be aware Saudi Aramco has raised the cost of oil shipments into Asia and Europe. But what about electric cars I hear you ask? Well, that strategy just hit a hurdle after Iran announced it's discovered what could be the world's second-largest lithium deposit, but given the size of the discovery, should we expect an easing of Iranian trade sanctions?

LIBOR surge

With USD LIBOR surpassing the 5.00% level for the first time in more than 15-years, and Morgan Stanley warning the bear market isn't over, international equity markets surprisingly spent the day cementing in modest gains while treasuries resumed their slide with the 10-year yield 2bps higher at 3.97%. Interestingly, the EUR had a positive session, while the USD-index, AUD, and NZD all succumbed to under selling pressure which saw the NZD fall below the 0.6200 level with the AUD approaching the 0.6725 level.



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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	71.10					CAD	0.8415	0.9156
NZD/USD	0.6180	0.0000	-0.0001	-0.0001	-0.0005	CHF	0.5760	0.6267
NZD/AUD	0.9194	-0.0012	-0.0032	-0.0065	-0.0123	CNY	4.2897	4.6673
NZD/JPY	84.07	-0.41	-1.13	-2.31	-4.73	DKK	4.3088	4.6874
NZD/EUR	0.5791	-0.0012	-0.0031	-0.0058	-0.0110	FJD	1.3529	1.4718
NZD/GBP	0.5140	-0.0004	-0.0012	-0.0023	-0.0048	HKD	4.8509	5.2771
						KRW	802.62	873.14
AU TWI	61.40					MYR	2.7662	3.0092
AUD/USD	0.6723	0.0008	0.0022	0.0046	0.0084	NOK	6.4462	7.0126
AUD/NZD	1.0873	0.0013	0.0037	0.0074	0.0139	SEK	6.4664	7.0346
AUD/JPY	91.43	-0.33	-0.91	-1.90	-4.07	SGD	0.8315	0.9046
AUD/EUR	0.6298	-0.0005	-0.0012	-0.0020	-0.0037	TWD	18.93	20.59
AUD/GBP	0.5591	0.0003	0.0007	0.0013	0.0023	ZAR	11.27	12.26
USD Index	104.32					EQUITIES		
EUR/USD	1.0673	0.0021	0.0056	0.0103	0.0192		Index	
USD/JPY	136.03	-0.63	-1.80	-3.72	-7.63	NZX50	11,912	
GBP/USD	1.2020	0.0008	0.0022	0.0048	0.0094	ASX200	7,329	
EUR/GBP	0.8877	0.0011	0.0028	0.0047	0.0085	Dow Jones	33,420	
						S&P 500	4,056	
INTEREST RATES			New Zealand		Australia	FTSE100	7,930	
			Mid		Mid	DAX 30	15,654	
30 day bank bills			4.96%		3.52%	Nikkei	28,238	
90 day bank bills			5.21%		3.68%	COMMODITIES		
1 year swap			5.55%		4.07%		USD	
2 year swap			5.40%		4.08%	Brent Crude	85.91	
3 year swap			5.12%		3.99%	Gold	1,846.83	
5 year swap			4.82%		3.93%	Silver	21.00	
10 year swap			4.66%		4.18%	Iron Ore	126.64	
3 year Govt bond			4.93%		3.56%	CRB Index	300.83	
5 year Govt bond			4.72%		3.60%		NZD	
10 year Govt bond			4.70%		3.85%	NZ Carbon	66.00	

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