

Market Alert

Wednesday 8 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6109	0.0001
NZD/AUD	0.9270	-0.0070
NZD/JPY	83.68	-2.36
NZD/EUR	0.5787	-0.0060
NZD/GBP	0.5164	-0.0024
NZD/CNH	4.2698	-0.0588
AUD/USD	0.6589	0.0051
AUD/EUR	0.6241	-0.0018
EUR/USD	1.0553	0.0110
USD/CNH	6.9891	-0.0979
GBP/USD	1.1830	0.0052
EUR/GBP	0.8920	0.0046

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.21%	3.68%
2 year swap	5.44%	3.97%
10 year Govt	4.70%	3.75%

Auckland is awash with coloured boa feathers this morning ...

... after last night's Harry Styles concert. I just feel sorry for the street cleaners!

Yesterday the RBA raised its cash rate by 25bps to 3.60% as expected although the 'hawkishness' of the previous statement was dialled down given, "The Board expects that further tightening of monetary policy will be needed to ensure that inflation returns to target and that this period of high inflation is only temporary. In assessing when, and how much, further interest rates need to increase, the Board will be paying close attention to developments." The statement also pointed to the recent CPI release as a sign inflation has 'peaked', a term not used in last month's statement,

as "The monthly CPI indicator suggests that inflation has peaked in Australia. Goods price inflation is expected to moderate over the months ahead due to both global developments and softer demand in Australia." The RBA also pointed out a fairly downbeat growth outlook, with GDP below trend for the next couple of years.

The sombre tone came despite yet another Australian trade surplus, with the January cash-cow at AUD11.7bn (although it was below expectations of AUD12.5bn).

Jerome Powell, in prepared testimony before the Senate Banking Committee, announced, "The Fed is prepared to speed up rate rises if warranted. The latest economic data has come in stronger than expected, which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated. If the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes." Furthermore, on the 2.0% inflation target he added, "Inflation has moderated, but progress is likely to be bumpy."

But while manufacturing continues to struggle in the US, factory orders in Germany increased 1.0% in January, while the December number was revised up to 3.4%. Market forecasts had been for a -0.9% fall. Meanwhile, the ECB's monthly inflation survey saw consumer expectations dip in January, while ECB member Klaas Knot announced, "The ECB can be expected to keep raising rates

for quite some time after March," which was good timing for Nomura as they raised their forecast ECB terminal rate to 4.25% and are now forecasting 50bps hikes in March, May, and June, and then a 25bp hike in July.

BoA CEO Moynihan announced, "US interest rates will begin to fall in Q2 2024. We don't think we will see a deep recession in the US, the US will have a technical recession."

While Japanese wages increased 0.8% on the year, 'real' wages (income expressed in terms of purchasing power as opposed to actual money received) fell -4.1%.

NZD and AUD weakness

With the overnight price action explicitly threatening a 'higher for longer' interest rate environment in the US and EU, international equity markets came under selling pressure. This weakness filtered through to commodity prices, while bond yields were, surprisingly, slightly lower. But the real action was in FX markets, with the 'risk' currencies hit particularly hard after the RBA moderated its interest rate outlook. Currently, the AUD/USD is off 150 points to a four month low following the RBA announcement and combined overnight USD strength. The NZD/USD is 100 points weaker and nearing 0.6100 this morning – also a four month low. Unsurprisingly, the USD Index has surged to an 8-week high at 105.50, while the EUR/USD has fallen to 1.0550.



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Daily Rates

Wednesday 8 March 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8400	0.9057
NZD/USD	0.6109	0.0000	-0.0001	0.0001	0.0005	CHF	0.5746	0.6199
NZD/AUD	0.9270	-0.0012	-0.0035	-0.0070	-0.0146	CNY	4.2742	4.5997
NZD/JPY	83.68	-0.40	-1.15	-2.36	-4.80	DKK	4.3074	4.6458
NZD/EUR	0.5787	-0.0012	-0.0033	-0.0060	-0.0114	FJD	1.3495	1.4555
NZD/GBP	0.5164	-0.0004	-0.0013	-0.0024	-0.0047	HKD	4.7954	5.1722
						KRW	805.00	868.25
AU TWI	61.10					MYR	2.7307	2.9453
AUD/USD	0.6589	0.0008	0.0023	0.0051	0.0096	NOK	6.5248	7.0375
AUD/NZD	1.0784	0.0013	0.0039	0.0079	0.0147	SEK	6.5603	7.0757
AUD/JPY	90.25	-0.32	-0.91	-1.89	-3.93	SGD	0.8270	0.8920
AUD/EUR	0.6241	-0.0005	-0.0014	-0.0018	-0.0033	TWD	18.80	20.27
AUD/GBP	0.5569	0.0003	0.0006	0.0014	0.0029	ZAR	11.37	12.26
USD Index	105.58					EQUITIES		
EUR/USD	1.0553	0.0021	0.0058	0.0110	0.0206		Index	
USD/JPY	137.02	-0.63	-1.87	-3.89	-7.96	NZX50	11,920	
GBP/USD	1.1830	0.0008	0.0024	0.0052	0.0108	ASX200	7,365	
EUR/GBP	0.8920	0.0011	0.0028	0.0046	0.0088	Dow Jones	32,885	
						S&P 500	3,991	
INTEREST RATES			New Zealand		Australia	FTSE100	7,919	
			Mid		Mid	DAX 30	15,560	
30 day bank bills			4.97%		3.56%	Nikkei	28,309	
90 day bank bills			5.21%		3.68%	COMMODITIES		
1 year swap			5.57%		4.01%		USD	
2 year swap			5.44%		3.97%	Brent Crude	83.61	
3 year swap			5.17%		3.87%	Gold	1,814.24	
5 year swap			4.87%		3.77%	Silver	20.07	
10 year swap			4.70%		4.06%	Iron Ore	125.50	
3 year Govt bond			4.95%		3.40%	CRB Index	299.34	
5 year Govt bond			4.73%		3.46%		NZD	
10 year Govt bond			4.70%		3.75%	NZ Carbon	65.75	

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