

Market Alert

Thursday 9 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6100	0.0001
NZD/AUD	0.9263	-0.0073
NZD/JPY	83.68	-2.38
NZD/EUR	0.5785	-0.0061
NZD/GBP	0.5153	-0.0025
NZD/CNH	4.2505	-0.0585
AUD/USD	0.6584	0.0052
AUD/EUR	0.6244	-0.0018
EUR/USD	1.0543	0.0111
USD/CNH	6.9673	-0.0965
GBP/USD	1.1836	0.0057
EUR/GBP	0.8906	0.0051

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.22%	3.68%
2 year swap	5.53%	3.92%
10 year Govt	4.70%	3.82%

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In today's Senate session, Jerome Powell attempted to re-balance yesterday's perceived hawkish tone with, "As I mentioned in my testimony, the data we've seen so far this year suggests that the ultimate level of rates will need to be higher, but we still have some more data to come in before the (next) meeting. But as of today, it suggests a higher level." In the Q&A session he then added, "We haven't made a decision yet about the March meeting, it is data dependent, (although) the terminal rate will likely be higher than we expected." On the deficit Jerome added, "No-one should assume the Fed can protect the US economy in a debt default," before adding, "Regarding the transitory mistake, if we ever see that pitch again, we'll know how

to swing at it. The cost of failure to control inflation could be extremely high." On China he added, "We expect China's re-opening impact to be moderate and it isn't expected to be a big net effect on the US." Before finishing with, "As shortages and supply chain issues get better, we'll see corporate margins come down. Most of the inflation is coming from the service sector" which has seen BlackRock announce the Fed could hike interest rates to a peak of 6.0%.

And in a bad omen for Friday's non-farm payrolls, US private businesses added 242k jobs in February, which was well above January's revised 119k in and forecasts of 200k. The services sector was the most active, adding 190k jobs. Meanwhile, annual wage growth decelerated slightly to 7.2% while job openings fell by 410k to 10.824m in January.

In other central bank news, the BoC held its overnight cash rate unchanged at 4.50% overnight and, once again, emphasised they would continue to hold rates at current levels should economic conditions develop broadly in line with expectations, while RBA Governor Philip Lowe was rather more explicit in his speech yesterday stating, "We are closer to the point where it will be appropriate to pause interest rate increases. The timing of the pause will be determined by data and our assessment of the outlook. Recent rate increases have moved monetary policy into restrictive territory. Wage and GDP data suggests the risk of a prices-wages spiral remains low. Monthly CPI showed a

welcome drop in January, the first sign of slowing goods inflation, although inflation in services and rents is still growing briskly. Cost-of-living pressures, higher rates, falling house prices are weighing on consumption. Further tightening will likely to be required to bring inflation back to target."

Which meant ...

The continuing bullishness of Mr. Powell's testimony ultimately weighed on equity markets with European bourses mixed while US exchanges posted modest declines. The T-bond gained 2bps, although the 4.00% level is proving to be a headwind with the yield at 3.98%. The US-dollar spent the session consolidating, which saw the NZD, AUD, and EUR tread water. Interestingly New Zealand swap pricing has exploded with pricing 9 to 12 bps higher with the curve continuing to invert.

Ken Griffin, founder of Citadel, announced, "The Fed fighting inflation with interest-rate increases is like 'having surgery with a dull knife'. We have the setup for a recession unfolding."

Finally, in what could be misconstrued as a tit-for-tat measure for past indiscretions, Perth Mint, the only mint in the world that has a government guarantee, has been selling diluted gold to China since 2018.



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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	70.50					CAD	0.8423	0.9091
NZD/USD	0.6100	0.0000	-0.0001	0.0001	-0.0001	CHF	0.5743	0.6200
NZD/AUD	0.9263	-0.0012	-0.0037	-0.0073	-0.0147	CNY	4.2550	4.5960
NZD/JPY	83.68	-0.39	-1.19	-2.38	-4.88	DKK	4.3045	4.6461
NZD/EUR	0.5785	-0.0012	-0.0034	-0.0061	-0.0116	FJD	1.3454	1.4521
NZD/GBP	0.5153	-0.0004	-0.0013	-0.0025	-0.0051	HKD	4.7884	5.1683
						KRW	804.54	868.37
AU TWI	60.50					MYR	2.7590	2.9779
AUD/USD	0.6584	0.0008	0.0025	0.0052	0.0103	NOK	6.5134	7.0302
AUD/NZD	1.0792	0.0012	0.0040	0.0081	0.0162	SEK	6.5430	7.0621
AUD/JPY	90.32	-0.31	-0.95	-1.89	-3.92	SGD	0.8258	0.8913
AUD/EUR	0.6244	-0.0005	-0.0013	-0.0018	-0.0029	TWD	18.74	20.23
AUD/GBP	0.5562	0.0002	0.0008	0.0016	0.0030	ZAR	11.35	12.25
USD Index	105.69					EQUITIES		
EUR/USD	1.0543	0.0020	0.0059	0.0111	0.0208		Index	
USD/JPY	137.18	-0.61	-1.92	-3.92	-8.01	NZX50	11,856	
GBP/USD	1.1836	0.0008	0.0027	0.0057	0.0113	ASX200	7,308	
EUR/GBP	0.8906	0.0010	0.0030	0.0051	0.0089	Dow Jones	32,660	
						S&P 500	3,970	
INTEREST RATES			New Zealand		Australia	FTSE100	7,930	
			Mid		Mid	DAX 30	15,632	
30 day bank bills			4.97%		3.58%	Nikkei	28,444	
90 day bank bills			5.22%		3.68%	COMMODITIES		
1 year swap			5.67%		4.01%		USD	
2 year swap			5.53%		3.92%	Brent Crude	82.67	
3 year swap			5.25%		3.83%	Gold	1,814.57	
5 year swap			4.94%		3.84%	Silver	20.04	
10 year swap			4.73%		4.12%	Iron Ore	127.33	
3 year Govt bond			5.01%		3.51%	CRB Index	295.00	
5 year Govt bond			4.77%		3.55%		NZD	
10 year Govt bond			4.70%		3.82%	NZ Carbon	67.00	

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