

Market Alert

Wednesday 12 April 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6191	-0.0012
NZD/AUD	0.9306	-0.0084
NZD/JPY	82.76	-2.36
NZD/EUR	0.5673	-0.0063
NZD/GBP	0.4984	-0.0025
NZD/CNH	4.2676	-0.0710
AUD/USD	0.6652	0.0047
AUD/EUR	0.6095	-0.0013
EUR/USD	1.0909	0.0098
USD/CNH	6.8943	-0.1017
GBP/USD	1.2421	0.0031
EUR/GBP	0.8782	0.0054

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.60%
90 day bills	5.55%	3.70%
2 year swap	4.98%	3.39%
10 year Govt	4.04%	3.31%

More doom and gloom from the IMF

The IMF continued its trend of continuously revising down its global growth projections, this time lowering its 2023 forecast to 2.8% from 2.9%, and 3.0% from 3.1% in 2024. Continuing 'tighter monetary policy to bring down inflation' and the 'ongoing war in Ukraine', causing the revisions. Although, this time there was the added 'deterioration in financial conditions' after the chief economist warned, "banks are in a more precarious situation. They have healthy cushions, but it's certainly going to lead them to be a little bit more prudent and maybe cut down lending somewhat." Global inflation is projected to fall to 7.0% this year from 8.7% in 2022 as lower commodity prices

impact, although core CPI is expected to decline slowly.

Australian business confidence improved from -4.0 to -1.0, although business conditions remain subdued at 16.0 from the previous months 17.0 level. Consumer confidence surged, rallying 9.4% in April, driven by the RBA's decision to pause. While confidence has risen to its highest level since June 2022, it still remains deeply negative at 85.8. Further positive news saw Australia and China reach an agreement on their WTO barley dispute although Australian Treasurer Jim Chalmers warned, "global conditions have become more complex and confronting. That means our upcoming budget will be all about providing security for our people in uncertain times for the world."

Inflation in China unexpectedly fell -0.3% on the month, and 0.7% in the 12-months to March, against expectations at -0.5% and 1.0%. PPIs also fell, adding to the disinflationary spiral, flatlining on the month and falling -2.5% on the year. Meanwhile, credit growth expanded faster than expected in March as the PBoC unleashed long-term liquidity financing of CNY 5.4 trillion, or USD 784 billion, last month.

The BoK has held its key interest rate steady at 3.5% for 2nd straight meeting while retail trade in the Euro Area fell -0.8% following January's upwardly revised 0.8% increase.

Word on the street is that top Fed officials are starting to debate the

merits of further rate hikes amid diverging opinions over the magnitude of a potential credit crunch. Chicago Fed President, Austan Goolsbee, called for "prudence and patience" as "given how uncertainty abounds about where these financial headwinds are going, I think we need to be cautious. The foremost thing on my mind ahead of May meeting is credit." Meanwhile, NY Fed President, John Williams, stated an 25bps increase at the next FOMC meeting was a "reasonable starting point" while Boston's Susan Collins, added she, "anticipated some modest additional policy tightening, and then holding through the end of this year".

BlackRock appears to be just as confused increasing its overweight call on inflation-linked debt on the view that inflation will remain well above the Fed's 2.0% target although, conversely, they also suggested the Fed may not need to hike rates in May.

Despite the doom and gloom from the IMF, equity markets were broadly positive overnight, as were commodity markets with oil up 2.0%. Bond markets were quiet, with the T-bond 1 bps higher at 3.43%, as were currency markets although the NZD came under selling pressure while the AUD and EUR rallied as the perception of New Zealand changed from one of trading the interest rate differentials, to one of an economy being driven into the ground through the actions of its central bank governor.



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Daily Rates

Wednesday 12 April 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8338	0.8960
NZD/USD	0.6191	-0.0001	-0.0004	-0.0012	-0.0040	CHF	0.5593	0.6009
NZD/AUD	0.9306	-0.0014	-0.0041	-0.0084	-0.0170	CNY	4.2679	4.5792
NZD/JPY	82.76	-0.40	-1.16	-2.36	-4.75	DKK	4.2284	4.5432
NZD/EUR	0.5673	-0.0011	-0.0032	-0.0063	-0.0124	FJD	1.3562	1.4572
NZD/GBP	0.4984	-0.0005	-0.0013	-0.0025	-0.0048	HKD	4.8598	5.2217
						KRW	818.58	879.53
AU TWI	60.20					MYR	2.7339	2.9375
AUD/USD	0.6652	0.0009	0.0025	0.0047	0.0073	NOK	6.5361	7.0228
AUD/NZD	1.0742	0.0015	0.0045	0.0093	0.0184	SEK	6.4709	6.9527
AUD/JPY	88.92	-0.30	-0.87	-1.77	-3.62	SGD	0.8250	0.8864
AUD/EUR	0.6095	-0.0003	-0.0009	-0.0013	-0.0024	TWD	18.88	20.29
AUD/GBP	0.5355	0.0003	0.0009	0.0022	0.0045	ZAR	11.38	12.22
USD Index	102.15					EQUITIES		
EUR/USD	1.0909	0.0020	0.0055	0.0098	0.0166		Index	
USD/JPY	133.67	-0.62	-1.79	-3.57	-6.83	NZX50	11,874	
GBP/USD	1.2421	0.0008	0.0022	0.0031	0.0035	ASX200	7,310	
EUR/GBP	0.8782	0.0009	0.0027	0.0054	0.0105	Dow Jones	33,674	
						S&P 500	4,151	
INTEREST RATES			New Zealand		Australia	FTSE100	7,786	
			Mid		Mid	DAX 30	15,655	
30 day bank bills			5.36%		3.64%	Nikkei	27,923	
90 day bank bills			5.55%		3.70%	COMMODITIES		
1 year swap			5.52%		3.57%		USD	
2 year swap			4.98%		3.39%	Brent Crude	85.55	
3 year swap			4.59%		3.28%	Gold	2,004.06	
5 year swap			4.25%		3.25%	Silver	25.05	
10 year swap			4.13%		3.60%	Iron Ore	119.75	
3 year Govt bond			4.35%		2.90%	CRB Index	302.03	
5 year Govt bond			4.10%		2.98%		NZD	
10 year Govt bond			4.04%		3.31%	NZ Carbon	59.25	

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