

Market Alert

Monday 1 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6176	-0.0010
NZD/AUD	0.9291	-0.0084
NZD/JPY	84.24	-2.45
NZD/EUR	0.5610	-0.0061
NZD/GBP	0.4915	-0.0019
NZD/CNH	4.2537	0.0000
AUD/USD	0.6612	0.0049
AUD/EUR	0.5991	-0.0012
EUR/USD	1.1036	0.0101
USD/CNH	6.9262	0.0000
GBP/USD	1.2561	0.0028
EUR/GBP	0.8766	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.60%
90 day bills	5.59%	3.73%
2 year swap	5.04%	3.53%
10 year Govt	4.15%	3.42%

With May Day being a global holiday ...

... I wouldn't expect there to be much activity in the financial markets today! But there was plenty on Friday, so let's get to it!

The Fed's favoured inflation measure, the PCE deflator, highlighted what we already knew. Headline inflation fell from March's revised 5.1% to 4.2% although the 'core' remained somewhat 'stickier' with February's release revised higher to 4.7%, while March's release printed at 4.6%. In other US headlines, Q1 employment costs flatlined at 0.3%, which was worse than the 0.2% expected. Meanwhile, the University of Michigan sentiment survey also flatlined at 63.5 with broader inflation expectations relatively stable.

Euro-zone inflation was also rather contradictory after German inflation fell to an 8-month low at 7.2%, although it accelerated in France and Spain. GDP data was a mixed bag as well. On a positive, growth across the region increased by 0.1% in Q1, which was below expectations at 0.2% but better than Q4's 0.0%.

Chinese manufacturing PMIs unexpectedly fell to a 4-month low of 49.2 missing market estimates of 51.4 highlighting the first contraction in factory activity since December.

Well, that isn't going to help inflation, UK business confidence rose to an 11-month high in April with companies optimistic about their plans to raise prices over the next!

The new BoJ Governor played with a straight bat leaving the short-term cash rate target at -0.10% with the Board unanimously voting to maintain its YCC policy with the 10-year JGB yield target at 0% within its +/- 0.5% bands, although the BoJ scrapped its guidance on future rate levels and called for a long-term policy review on monetary policy guidance.

Ahead of the BoJ update we also had a host of data releases with annual retail sales jumping from 6.6% to 7.2%, the unemployment rate increasing to 2.8% from 2.6%, industrial production surged to 0.8% from 0.5% while Tokyo headline CPI increased to 3.5% on the year from 3.3% although the core gapped higher from 3.4% to 3.8%.

Australian 'wholesale' inflation appears to be coming under the influence of higher electricity and gas prices after PPIs jumped 1.0% on the quarter although it eased on the year to 5.2%. The NZ Roy Morgan survey told us what we already knew, consumer confidence remains deeply pessimist at 79.3 while, unsurprisingly, inflation expectations eased from 5.4% to 5.2%.

Its going to be a busy week ...

... with central bank decisions from the Federal Reserve, the ECB, RBA, and Norges Central Bank. In the US, we have their employment numbers, job opening, ISM Services, manufacturing PMIs, and trade data. We also have inflation releases for the Euro Area and Italy, the trade balance and retail sales from Australia, and Q1 data from New Zealand.

Fitch says that banking system stress in the US will further tighten credit markets – you think!

Goldmans has raised its BoE terminal cash forecast to 5.0% citing stronger-than-expected economic activity in Britain. Their current UK cash rate is 4.25%.

Starting the week, the NZD starts on the front foot higher against the USD and AUD, with the USD-index sitting around the 101.50 level. Treasury yields also closed the week lower, with the 2-year and 10-year both -9.5bps lower at 4.02% and 3.43%. International equity markets closed in positive territory.



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Daily Rates

Monday 1 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.8363	0.8958
NZD/USD	0.6176	-0.0001	-0.0004	-0.0010	-0.0035	CHF	0.5522	0.5883
NZD/AUD	0.9291	-0.0014	-0.0042	-0.0084	-0.0164	CNY	4.2706	4.5690
NZD/JPY	84.24	-0.41	-1.22	-2.45	-4.87	DKK	4.1711	4.4656
NZD/EUR	0.5610	-0.0012	-0.0032	-0.0061	-0.0120	FJD	1.3712	1.4680
NZD/GBP	0.4915	-0.0005	-0.0012	-0.0019	-0.0038	HKD	4.8479	5.1902
						KRW	826.21	884.54
AU TWI	59.80					MYR	2.7533	2.9476
AUD/USD	0.6612	0.0009	0.0026	0.0049	0.0072	NOK	6.5585	7.0215
AUD/NZD	1.0699	0.0012	0.0046	0.0091	0.0170	SEK	6.3281	6.7749
AUD/JPY	90.16	-0.31	-0.91	-1.84	-3.71	SGD	0.8242	0.8824
AUD/EUR	0.5991	-0.0003	-0.0007	-0.0012	-0.0025	TWD	18.99	20.34
AUD/GBP	0.5262	0.0003	0.0011	0.0026	0.0050	ZAR	11.29	12.09
USD Index	101.67					EQUITIES		
EUR/USD	1.1036	0.0021	0.0056	0.0101	0.0167		Index	
USD/JPY	136.25	-0.64	-1.90	-3.76	-7.04	NZX50	12,020	
GBP/USD	1.2561	0.0009	0.0020	0.0028	0.0013	ASX200	7,309	
EUR/GBP	0.8766	0.0010	0.0028	0.0059	0.0122	Dow Jones	34,098	
						S&P 500	4,169	
INTEREST RATES			New Zealand		Australia	FTSE100	7,871	
			Mid		Mid	DAX 30	15,922	
30 day bank bills			5.44%		3.66%	Nikkei	28,856	
90 day bank bills			5.59%		3.73%	COMMODITIES		
1 year swap			5.61%		3.64%		USD	
2 year swap			5.04%		3.53%	Brent Crude	80.33	
3 year swap			4.64%		3.40%	Gold	1,989.65	
5 year swap			4.29%		3.37%	Silver	25.04	
10 year swap			4.18%		3.71%	Iron Ore	103.61	
3 year Govt bond			4.31%		3.02%	CRB Index	295.51	
5 year Govt bond			4.10%		3.10%		NZD	
10 year Govt bond			4.15%		3.42%	NZ Carbon	56.00	

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