

Market Alert

Tuesday 9 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6345	-0.0012
NZD/AUD	0.9358	-0.0076
NZD/JPY	85.75	-2.49
NZD/EUR	0.5768	-0.0064
NZD/GBP	0.5029	-0.0023
NZD/CNH	4.3920	-0.0718
AUD/USD	0.6779	0.0043
AUD/EUR	0.6161	-0.0019
EUR/USD	1.0999	0.0100
USD/CNH	6.9216	-0.1008
GBP/USD	1.2612	0.0027
EUR/GBP	0.8719	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.65%	3.93%
2 year swap	5.06%	3.65%
10 year Govt	4.22%	3.49%

Life, like markets, remains mixed!

While the European equity markets had posted modest gains, and US regional banks posted their second successive day of gains, it wasn't enough to spike US bourses higher. It was a similar story in the commodity market with most products 'mixed' although the energy sector made solid gains with oil 1.5%-2.5% higher while natural gas surged 4.2%. 2-yr and 10-yr treasuries posted gains of 8bps and 7bps, reaching 4.01% and 3.51%, while the USD index popped back above the 101.00 level as the EUR weakened. The NZD and AUD made strong gains overnight.

Ahead of Thursday's CPI release, US consumer inflation expectations for the next 12 months fell to 4.4% in April

from March's 4.7%, although inflation expectations for 3 and 5-years increased by 0.1% to 2.9% and 2.6% respectively. US inventories also dipped down, easing from 0.1% to 0.0%, while trade sales also fell, from 0.4% to -2.1%. Finally, the Fed's Q1 Senior Loan Officer Survey highlighted "banks expect tighter lending standards and weaker demand for business, and most consumer, credit through Q1 versus prior quarter." In a further warning, Chicago Fed President Austan Goolsbee said a protracted showdown over the debt ceiling will make the Fed's job more difficult as it tries to assess the impact of bank sector turmoil and tighter credit conditions.

Economic data out of Germany continues to deteriorate after industrial production output fell to its lowest level in a year falling -3.4% in March against forecasts for a -1.5% decline. ECB member Klaas Knot announced he doesn't expect the central bank to reach its inflation target until 2025, even though the largest impact of the hikes has yet to be felt! It's no wonder Euro-zone investor confidence fell to -13.1 in May from -8.7!

Australia Business confidence improved to 0.0 from -1.0 although, conditions eased to 14 from 16. Overall, the survey referenced, "demand is still very strong, and employment is also holding up, reflecting the strength of the labour market. Overall, the survey shows the economy remains resilient." The survey also referenced that inflation issues continue to be underpinned with labour costs steady at a 1.9% on the

quarter while purchase costs picked up to 2.3% from March's 1.9%. Australia building permits fell in March by -0.1% against a forecast 3.0% increase.

Yesterday saw the release of the minutes from the BoJ's March meeting, but even though we've already had the April meeting, which highlighted, "several members stated the bank should be vigilant to the risk inflation may accelerate more than expected. Several members said cost-push price pressure might last longer than expected should global commodity prices rise more than projected."

There was also a bit of news out of China overnight, which was mixed at best! China's total debt-to-GDP ratio rose to 280% in Q1, 7.7% higher than in Q4, as company loans surged during the Covid-reopening. Meanwhile, Chinese bank shares surged with some posting their biggest one-day gains since the 2015 equity bubble adding almost USD166 billion in market value with the Bank index poised to hit its highest level since April 2022.

This could be fun ...

An ABC/Washington Post poll showed incumbent Joe Biden's approval rating fall to a career low of 36%, and below Donald Trump rating, with almost 70% saying he's too old for another term compared with 44% who thought Donald was too old!



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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	71.60					CAD	0.8486	0.9069
NZD/USD	0.6345	-0.0001	-0.0004	-0.0012	-0.0044	CHF	0.5646	0.6034
NZD/AUD	0.9358	-0.0014	-0.0038	-0.0076	-0.0147	CNY	4.3916	4.6948
NZD/JPY	85.75	-0.44	-1.24	-2.49	-4.90	DKK	4.2951	4.5888
NZD/EUR	0.5768	-0.0012	-0.0033	-0.0064	-0.0124	FJD	1.3991	1.4948
NZD/GBP	0.5029	-0.0005	-0.0013	-0.0023	-0.0040	HKD	4.9801	5.3208
						KRW	838.54	895.89
AU TWI	61.10					MYR	2.8140	3.0065
AUD/USD	0.6779	0.0009	0.0023	0.0043	0.0056	NOK	6.6633	7.1191
AUD/NZD	1.0682	0.0014	0.0042	0.0083	0.0159	SEK	6.4453	6.8862
AUD/JPY	91.63	-0.35	-0.96	-1.95	-3.92	SGD	0.8405	0.8980
AUD/EUR	0.6161	-0.0004	-0.0010	-0.0019	-0.0041	TWD	19.46	20.79
AUD/GBP	0.5373	0.0002	0.0008	0.0019	0.0039	ZAR	11.62	12.42
USD Index	101.39					EQUITIES		
EUR/USD	1.0999	0.0020	0.0055	0.0100	0.0167		Index	
USD/JPY	135.14	-0.67	-1.88	-3.68	-6.98	NZX50	11,942	
GBP/USD	1.2612	0.0009	0.0021	0.0027	0.0014	ASX200	7,277	
EUR/GBP	0.8719	0.0009	0.0027	0.0057	0.0117	Dow Jones	33,605	
						S&P 500	4,139	
INTEREST RATES			New Zealand		Australia	FTSE100	7,778	
			Mid		Mid	DAX 30	15,953	
30 day bank bills			5.53%		3.87%	Nikkei	28,950	
90 day bank bills			5.65%		3.93%	COMMODITIES		
1 year swap			5.61%		3.83%		USD	
2 year swap			5.06%		3.65%	Brent Crude	76.71	
3 year swap			4.65%		3.46%	Gold	2,020.36	
5 year swap			4.28%		3.43%	Silver	25.56	
10 year swap			4.18%		3.80%	Iron Ore	103.55	
3 year Govt bond			4.41%		3.10%	CRB Index	291.35	
5 year Govt bond			4.17%		3.14%		NZD	
10 year Govt bond			4.22%		3.49%	NZ Carbon	54.00	

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