

Market Alert

Monday 12 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6132	-0.0010
NZD/AUD	0.9385	-0.0061
NZD/JPY	91.74	-2.63
NZD/EUR	0.5699	-0.0052
NZD/GBP	0.4855	-0.0012
NZD/CNH	4.4370	-0.0628
AUD/USD	0.6517	0.0030
AUD/EUR	0.6042	-0.0017
EUR/USD	1.0782	0.0081
USD/CNH	7.2178	-0.0893
GBP/USD	1.2626	0.0008
EUR/GBP	0.8536	0.0056

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.78%	4.39%
2 year swap	5.18%	4.02%
10 year Govt	4.91%	4.22%

It's Super Bowl Sunday ... on Monday!

But let's be honest, no-one knows the rules and we'll only watch the games for the half-time show!.

Well ... Friday was quite a day!

First up was RBA Governor, Michele Bullock, who appeared before a parliamentary economics committee warning that while the inflation situation had improved, an inflation rate with a four in front of it "isn't good enough" before adding, "The board understands that rising interest rates have put additional pressure on households that have mortgages, but the alternative of lower interest rates and high inflation for a prolonged period would be even worse for these households as well as

all the households without mortgages." Ms. Bullock then re-iterated that "inflation didn't necessarily need to reach the central banks 2.5% target before she considered rate cuts," while "the board has neither ruled out, nor ruled in, another increase to the cash rate."

We then had Tucker Carlson interview Vladimir Putin, which created a lot of hot air but not much else, before we came to the main event! An unscheduled 180-degree turn by one of the local banks on their OCR call announcing that they are now forecasting the RBNZ will hike at both their February and April meetings ... to take the OCR to 6.0%! This set the cat-amongst-the-pigeons with the NZD and local interest rates all spiking higher amid a flattening curve, with NZD/JPY spiking to a 9-year high. But while this caused a reaction in New Zealand, these moves were more symbolic of a gap on thin volumes rather than a fundamental change in sentiment given the announcement was ignored by international markets as, once again, markets continued to focus on equity markets. Yep, once again the S&P500 and Nasdaq closed at record highs although the European bourses posted modest losses. International bond yields continued to grind higher with the German 10-year bund rallying to a 2-month high at 2.38% while the US 2-years gained 3bps to 4.48% although the 10-years remained unchanged at 4.18%. Commodity markets were quiet.

We also had a few releases from Friday/the weekend with the December US monthly inflation number revised down to 0.2% from the initial 0.3%, although the November and October headline numbers were revised 0.1% higher to 0.2% and 0.1%. Chinese banks also extended a record CNY4.92trn in new yuan loans in January, beating forecasts at CNY4.5trn.

Governor of the Bank of Italy and ECB Member, Fabio Panetta, announced, "the time for a reversal of the monetary policy stance is fast approaching."

Interestingly, while the US headline jobs data continues to surprise to topside, tech companies have axed 34k jobs since start of year as they pivot towards AI while there has been talk some banks may halt all bonuses amid a tightening operating environment.

The week ahead.

This week it's all about inflation ... once again ... with the release of the latest US inflation report while we also have retail sales figures, PPIs, and the Michigan consumer confidence index. We also have several speeches by various Federal Reserve. We also have the UKs inflation report as well as Q4 GDP, they will also be releasing their unemployment figures alongside France and Australia. Finally, we have the German ZEW economic update and, from Australia, the NAB business confidence and employment releases.



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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	71.80					CAD	0.8252	0.8780
NZD/USD	0.6146	0.0000	-0.0002	-0.0010	-0.0034	CHF	0.5360	0.5690
NZD/AUD	0.9387	-0.0009	-0.0029	-0.0061	-0.0119	CNY	4.4164	4.6864
NZD/JPY	91.83	-0.41	-1.31	-2.63	-5.16	DKK	4.2389	4.5050
NZD/EUR	0.5704	-0.0007	-0.0024	-0.0052	-0.0124	FJD	1.3545	1.4396
NZD/GBP	0.4867	-0.0001	-0.0004	-0.0012	-0.0031	HKD	4.7952	5.0962
						KRW	815.60	866.81
AU TWI	60.80					MYR	2.9188	3.1021
AUD/USD	0.6517	0.0006	0.0017	0.0030	0.0043	NOK	6.4491	6.8540
AUD/NZD	1.0622	0.0009	0.0031	0.0066	0.0115	SEK	6.4152	6.8180
AUD/JPY	97.32	-0.35	-1.09	-2.19	-4.32	SGD	0.8256	0.8774
AUD/EUR	0.6042	-0.0002	-0.0006	-0.0017	-0.0057	TWD	19.24	20.45
AUD/GBP	0.5160	0.0004	0.0011	0.0021	0.0031	ZAR	11.68	12.41
USD Index	104.08					EQUITIES		
EUR/USD	1.0782	0.0012	0.0040	0.0081	0.0172		Index	
USD/JPY	149.24	-0.67	-2.07	-4.04	-7.55	NZX50	11,863	
GBP/USD	1.2626	0.0002	0.0005	0.0008	0.0003	ASX200	7,645	
EUR/GBP	0.8536	0.0008	0.0027	0.0056	0.0127	Dow Jones	38,672	
						S&P 500	5,027	
INTEREST RATES			New Zealand		Australia	FTSE100	7,573	
			Mid		Mid	DAX 30	16,927	
30 day bank bills			5.63%		4.36%	Nikkei	36,897	
90 day bank bills			5.75%		4.39%	COMMODITIES		
1 year swap			5.70%		4.23%		USD	
2 year swap			5.19%		4.03%	Brent Crude	82.19	
3 year swap			4.86%		3.96%	Gold	2,024.16	
5 year swap			4.60%		4.15%	Silver	22.60	
10 year swap			4.63%		4.42%	Iron Ore	128.75	
3 year Govt bond			4.96%		3.74%	CRB Index	315.35	
5 year Govt bond			4.79%		3.82%		NZD	
10 year Govt bond			4.91%		4.21%	NZ Carbon	72.40	

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