

# Market Alert

Monday 24 January 2022

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6718 | -0.0027 |
| NZD/AUD    | 0.9366 | -0.0047 |
| NZD/JPY    | 76.41  | -0.53   |
| NZD/EUR    | 0.5925 | -0.0054 |
| NZD/GBP    | 0.4960 | -0.0015 |
| NZD/CNH    | 4.2598 | 0.0245  |
| AUD/USD    | 0.7172 | 0.0007  |
| AUD/EUR    | 0.6321 | -0.0026 |
| EUR/USD    | 1.1346 | 0.0057  |
| USD/CNH    | 6.3414 | 0.0624  |
| GBP/USD    | 1.3552 | -0.0013 |
| EUR/GBP    | 0.8373 | 0.0051  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 0.75% | 0.10%     |
| 90 day bills | 1.08% | 0.07%     |
| 2 year swap  | 2.34% | 1.13%     |
| 10 year Govt | 2.53% | 1.92%     |

## Choppy markets take the shine off 2022

Friday saw a very choppy session as company earnings and higher US borrowing costs ultimately led to another negative session for equities and commodities.

Breaking it down, the Dow Jones lost 450 points, the S&P dropped 1.9% and the tech-heavy Nasdaq Composite plunged 2.7%. Simply put, earnings were poor as those companies that soared in

the pandemic were hit, with Netflix the headline grabber when it sold off 23% after it missed subscriber estimates. The European bourses were also weaker by -2.0% to -3.0% with Siemens the worst performer after its shares plunged 16% after its wind turbine unit cut revenue guidance for 2022.

Even Bitcoin sold off to its lowest level in five months as it broke below the USD35,000 over the weekend, although it has since recovered a little of its shine this morning!

Furthermore, a Bloomberg poll of economists suggested the Federal Reserve will signal this week that it will telegraph a 25 basis-point increase at its March meeting to combat surging price pressures, although 2 economists actually called for a surprise 50-basis-point hike, which would be the largest since 2000. Most economists were of the view that the Fed would also look to shrink its balance sheet at some stage this year.

And the data didn't help matters either with the Eurozone's consumer confidence hitting its lowest level since March 2021 at -8.5, although it was slightly better than the expected -9.0.

The situation isn't any better in the geopolitical arena either after the US State Department announced it will evacuate

families of embassy personnel in Ukraine today as tensions continue to build with Russia over the Ukraine.

## What does it all mean?

With New Zealand undertaking new COVID-19 restrictions as per the red-traffic light system, the markets are finely balanced.

The initial price action hasn't, as yet, opened the NZD up for another bout of weakness with a sustained break of the 0.6700 level, but with an acceleration in the VIX index, which is viewed as a measure of the market's volatility, to the 28.85% level, we should be prepared for further swings across the NZD, AUD and EUR.

Interestingly, the US 10 year treasury eased back below the 1.80% to 1.76% level in amongst the talk of higher US rates, as traders sought safe haven buying.



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# Daily Rates

Monday 24 January 2022

| FX                    | Spot   | FECs (mid)         |               |                  |               | Spot Mid           |              |         |
|-----------------------|--------|--------------------|---------------|------------------|---------------|--------------------|--------------|---------|
|                       | Mid    | 1mth               | 3mths         | 6mths            | 12mths        | NZD/...            | AUD/...      |         |
| NZ TWI                | 71.96  |                    |               |                  |               | CAD                | 0.8454       | 0.9026  |
| NZD/USD               | 0.6718 | -0.0003            | -0.0011       | -0.0027          | -0.0072       | CHF                | 0.6125       | 0.6540  |
| NZD/AUD               | 0.9366 | -0.0006            | -0.0020       | -0.0047          | -0.0110       | CNY                | 4.2577       | 4.5459  |
| NZD/JPY               | 76.41  | -0.06              | -0.21         | -0.53            | -1.52         | DKK                | 4.4073       | 4.7056  |
| NZD/EUR               | 0.5925 | -0.0007            | -0.0022       | -0.0054          | -0.0139       | FJD                | 1.4357       | 1.5329  |
| NZD/GBP               | 0.4960 | -0.0002            | -0.0006       | -0.0015          | -0.0045       | HKD                | 5.2283       | 5.5822  |
|                       |        |                    |               |                  |               | KRW                | 802.06       | 856.36  |
| AU TWI                | 60.40  |                    |               |                  |               | MYR                | 2.8132       | 3.0036  |
| AUD/USD               | 0.7172 | 0.0001             | 0.0003        | 0.0007           | 0.0008        | NOK                | 5.9695       | 6.3736  |
| AUD/NZD               | 1.0677 | 0.0007             | 0.0023        | 0.0054           | 0.0127        | SEK                | 6.1714       | 6.5892  |
| AUD/JPY               | 81.52  | -0.01              | -0.05         | -0.16            | -0.67         | SGD                | 0.9034       | 0.9646  |
| AUD/EUR               | 0.6321 | -0.0003            | -0.0010       | -0.0026          | -0.0074       | TWD                | 18.63        | 19.89   |
| AUD/GBP               | 0.5292 | 0.0001             | 0.0005        | 0.0011           | 0.0015        | ZAR                | 10.1463      | 10.8331 |
| USD Index             | 95.64  |                    |               |                  |               | <b>EQUITIES</b>    |              |         |
| EUR/USD               | 1.1346 | 0.0007             | 0.0024        | 0.0057           | 0.0147        |                    | <b>Index</b> |         |
| USD/JPY               | 113.66 | -0.03              | -0.12         | -0.33            | -1.05         | NZX50              | 12,348       |         |
| GBP/USD               | 1.3552 | -0.0002            | -0.0006       | -0.0013          | -0.0024       | ASX200             | 7,176        |         |
| EUR/GBP               | 0.8373 | 0.0007             | 0.0021        | 0.0051           | 0.0124        | Dow Jones          | 34,265       |         |
|                       |        |                    |               |                  |               | S&P 500            | 4,398        |         |
|                       |        |                    |               |                  |               | FTSE100            | 7,494        |         |
|                       |        |                    |               |                  |               | DAX 30             | 15,604       |         |
|                       |        |                    |               |                  |               | Nikkei             | 27,522       |         |
| <b>INTEREST RATES</b> |        | <b>New Zealand</b> |               | <b>Australia</b> |               | <b>COMMODITIES</b> |              |         |
|                       |        | <b>Borrow</b>      | <b>Invest</b> | <b>Borrow</b>    | <b>Invest</b> |                    | <b>USD</b>   |         |
| 30 day bank bills     |        | 0.86%              | 0.84%         | 0.01%            | 0.03%         | Dubai Light        | 85.62        |         |
| 90 day bank bills     |        | 1.10%              | 1.08%         | 0.09%            | 0.05%         | Brent Crude        | 87.89        |         |
| FRA 90d in 3mths      |        | 1.67%              | 1.64%         | 0.35%            | 0.32%         | Gold               | 1,834.90     |         |
| FRA 180d in 6mths     |        | 2.33%              | 2.30%         | 0.96%            | 0.95%         | Silver             | 24.26        |         |
| 1 year swap           |        | 1.90%              | 1.87%         | 0.54%            | 0.54%         | CRB Index          | 264.16       |         |
| 2 year swap           |        | 2.35%              | 2.33%         | 1.15%            | 1.11%         |                    | <b>NZD</b>   |         |
| 3 year swap           |        | 2.58%              | 2.55%         | 1.51%            | 1.48%         | NZ Carbon          | 74.95        |         |
| 5 year swap           |        | 2.73%              | 2.70%         | 1.81%            | 1.80%         |                    |              |         |
| 10 year swap          |        | 2.80%              | 2.78%         | 2.17%            | 2.14%         |                    |              |         |
| 10 year Govt bond     |        |                    | 2.51%         |                  | 1.92%         |                    |              |         |

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