

Market Alert

Thursday 3 March 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6798	-0.0025
NZD/AUD	0.9306	-0.0062
NZD/JPY	78.55	-0.71
NZD/EUR	0.6106	-0.0068
NZD/GBP	0.5079	-0.0012
NZD/CNH	4.2950	0.0297
AUD/USD	0.7305	0.0022
AUD/EUR	0.6562	-0.0029
EUR/USD	1.1132	0.0084
USD/CNH	6.3186	0.0670
GBP/USD	1.3385	-0.0016
EUR/GBP	0.8317	0.0073

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.32%	0.09%
2 year swap	2.73%	1.39%
10 year Govt	2.74%	2.08%

Central bank chit-chat

Fed Chair, Jerome Powell, is midway through a 2 day hearing testifying before lawmakers where he stated he, "expects to propose and support a quarter-point interest rate hike at the FOMC meeting in March. If inflation/growth persists, we would be prepared to move more aggressively with a 50 basis point rise at a meeting, or meetings. We talk about getting to neutral rate of 2% to 2.5%, although it may need to go higher than that. The Fed will use all its policy tools to prevent inflation from becoming entrenched. Inflation is elevated and expected to decline later this year. The Fed will reduce the size

of its balance sheet after rate lift-off, in a predictable way. The economic impact of Russia's invasion into Ukraine is highly uncertain."

We also had ECB Chief Economist, Philip Lane, on the newswires, dampening the ECB's interest rate projections stating, "it is essential to avoid that a spell of temporarily high inflation pressures – even if arising from a supply shock – becomes entrenched. Tightening policy in response to temporarily high inflation would be counterproductive. Excessive delays in monetary tightening runs the risk of a sharper subsequent height in interest rates, and a greater loss in output. If current inflation is above the target level, but the forecasts show it is falling below target over the projection horizon, tightening would be counterproductive."

In the US, the labour market seems to be gathering steam after private business hired 475,000 workers in February 2022, beating market expectations of 388,000. Interesting, large companies added 552,000 workers, while small companies cut 96,000.

The news wasn't so good in New Zealand after our terms of trade decreased 1.0% after import prices lifted 3.8% while export prices were up a modest 2.7%. In further bad news, building permits fell 9.2% on the month against an expected 0.5% increase.

The data was better in Australia where Q4 GDP reached 3.4%, which exceeded the forecast 3.0%. On an annualised

basis, Australia grew at 4.2% which was a lot stronger than the expected 3.7%. Breaking the data down, the inflation indicator, the 'chain price index', fell 0.6% from Q2's 0.5% rise, consumption was up 4.4%, while capex and government spending weighed on growth given the roll-off of fiscal stimulus.

The IMF and World Bank promised support for Ukraine "in the coming months" while the US confirmed the G7 is ready to focus on freezing and seizing assets of the Russian elite which has no doubt contributed to Roman Abramovich's decision to sell Chelsea FC!

The great reversal

Financial markets chose last night to reverse their earlier trend with investors returning to equity markets as they reduced bond holdings. This saw the Dow grind up more than 600 points, the S&P 500 increased 1.8%, while the tech heavy Nasdaq was also up 1.5%.

The US 10-year yield recovered from yesterday's 1.70% low to reach 1.84%, while oil prices continued their relentless march higher with crude at USD109.62 and Brent at USD111.44 even though the US announced the emergency sale of 30 million barrels of oil from its strategic reserves.

The NZD will open higher again today at 0.6770, although against the AUD we have slipped slightly to 0.9310.



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Daily Rates

Thursday 3 March 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.80					CAD	0.8592	0.9232
NZD/USD	0.6798	-0.0003	-0.0011	-0.0025	-0.0063	CHF	0.6255	0.6721
NZD/AUD	0.9306	-0.0008	-0.0028	-0.0062	-0.0129	CNY	4.2968	4.6172
NZD/JPY	78.55	-0.08	-0.29	-0.71	-1.86	DKK	4.5424	4.8812
NZD/EUR	0.6106	-0.0009	-0.0029	-0.0068	-0.0163	FJD	1.4443	1.5520
NZD/GBP	0.5079	-0.0002	-0.0006	-0.0012	-0.0039	HKD	5.3108	5.7069
						KRW	819.80	880.94
AU TWI	61.30					MYR	2.8352	3.0466
AUD/USD	0.7305	0.0003	0.0010	0.0022	0.0034	NOK	6.0073	6.4553
AUD/NZD	1.0746	0.0009	0.0032	0.0072	0.0150	SEK	6.5621	7.0515
AUD/JPY	84.40	-0.01	-0.06	-0.20	-0.84	SGD	0.9206	0.9892
AUD/EUR	0.6562	-0.0004	-0.0012	-0.0029	-0.0085	TWD	18.97	20.39
AUD/GBP	0.5457	0.0002	0.0010	0.0023	0.0034	ZAR	10.4067	11.1827
USD Index	97.35					EQUITIES		
EUR/USD	1.1132	0.0011	0.0036	0.0084	0.0199		Index	
USD/JPY	115.55	-0.07	-0.24	-0.62	-1.69	NZX50	12,089	
GBP/USD	1.3385	0.0000	-0.0006	-0.0016	-0.0022	ASX200	7,117	
EUR/GBP	0.8317	0.0009	0.0031	0.0073	0.0163	Dow Jones	34,011	
						S&P 500	4,396	
						FTSE100	7,430	
						DAX 30	14,000	
						Nikkei	26,393	
INTEREST RATES		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest			
30 day bank bills		1.08%	1.05%	0.02%	0.02%			
90 day bank bills		1.35%	1.32%	0.11%	0.07%			
FRA 90d in 3mths		2.06%	2.03%	0.36%	0.33%			
FRA 180d in 6mths		2.78%	2.74%	1.22%	1.20%			
1 year swap		2.24%	2.22%	0.64%	0.64%			
2 year swap		2.74%	2.72%	1.41%	1.38%			
3 year swap		2.89%	2.87%	1.79%	1.78%			
5 year swap		3.01%	2.99%	2.07%	2.06%			
10 year swap		3.05%	3.03%	2.44%	2.42%			
10 year Govt bond			2.72%		2.08%			
						COMMODITIES		
							USD	
						Dubai Light	110.57	
						Brent Crude	112.38	
						Gold	1,923.33	
						Silver	25.23	
						CRB Index	298.67	
							NZD	
						NZ Carbon	78.50	

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