

Market Alert

Wednesday 13 April, 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6857	-0.0024
NZD/AUD	0.9201	-0.0062
NZD/JPY	85.92	-1.01
NZD/EUR	0.6330	-0.0083
NZD/GBP	0.5275	-0.0024
NZD/CNH	4.3725	0.0223
AUD/USD	0.7452	0.0023
AUD/EUR	0.6880	-0.0044
EUR/USD	1.0831	0.0105
USD/CNH	6.3771	0.0554
GBP/USD	1.3001	0.0009
EUR/GBP	0.8331	0.0075

INT RATES	NZ	Australia
OCR/Cash	1.00%	0.10%
90 day bills	1.71%	0.31%
2 year swap	3.63%	2.36%
10 year Govt	3.54%	3.08%

Ahead of today's mammoth RBNZ call, and inevitable hike

Inflation remains at the top of today's headlines after US CPI accelerated to 1.2% on the month and 8.5% on an annualised basis. The index's highest print since 1981 when 'Don't You Want Me' by The Human League was the bestselling single.

The CPI print was slightly above market forecasts of 8.4%, the main driver being the rising energy prices, which were up 32% due to higher crude prices, while the

food index increased by 8.8%. Core CPI rose 0.3% on the month and 6.5% on the year, slightly below expectations of 0.5% and 6.6%. Meanwhile, average hourly and weekly earnings contracted on an annualised basis falling 2.7% and 3.6%.

This saw the Fed vice chair, Lael Brainard, announce, "Getting inflation down is our most important task. We are most focused on core inflation for assessing the path of monetary policy, and the moderation of core inflation today gives me confidence we will achieve 2% inflation, but the timeline is unclear. The balance sheet run off could be worth 2 to 3 additional rate hikes." Lael then warned, "The longer the war persists, the greater the risk to upside inflation, and a downside on growth, while China's zero Covid policy has potential to lengthen out supply chain constraints."

In amongst the gloom of the inflation print, CIBC offered a ray of light stating, "March likely represents the peak for inflation," although they warned, "the Fed will still have to raise rates by 125bps over the rest of this year to achieve its inflation target."

In other overnight data releases, the US budget deficit narrowed to USD192.7 billion in March, which was a huge improvement on February's USD660 billion deficit. The German ZEW indicator decreased by 1.7 points to -41 in April to record its lowest headline number since March 2020.

In Australia, the monthly business survey led to some financial commentators suggesting an RBA rate hike in May might be on the cards after confidence increased to 16 from February's 13, while conditions jumped to 18 from 9. In amongst the detail, quarterly labour costs increased to 2.7% from 1.8%. This essentially passed through to the consumer as selling prices also increased to 2.3% from 1.4%. Weekly consumer confidence also firmed reaching 94.6 from last week's 93.4.

Chinese Premier, Li Keqiang, has issued another warning about the risks to the Chinese economy emphasising that the 'responsible authorities' should be acting to "add a sense of urgency" when implementing existing policies.

The Bank of France has cut its Q1 GDP forecast to 0.25% from 0.50% and warned that while growth is holding up, difficult times are expected ahead later in the year.

Bring on 2.00pm!

Ahead of today's announcement, international equity markets were a sea of red overnight as the headline US CPI print focused attention once again on inflationary concerns while oil spiked 6.0% to be above the USD100 level once again. Interestingly, US treasury yields eased with the 10-years at 2.72%. Meanwhile, the USD was mixed falling against the NZD and AUD, although it strengthened against the EUR and GBP.



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Daily Rates

Wednesday 13 April, 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.81					CAD	0.8669	0.9423
NZD/USD	0.6857	-0.0003	-0.0010	-0.0024	-0.0054	CHF	0.6393	0.6947
NZD/AUD	0.9201	-0.0008	-0.0030	-0.0062	-0.0109	CNY	4.3656	4.7458
NZD/JPY	85.92	-0.10	-0.39	-1.01	-2.53	DKK	4.7074	5.1163
NZD/EUR	0.6330	-0.0009	-0.0034	-0.0083	-0.0192	FJD	1.4408	1.5662
NZD/GBP	0.5275	-0.0003	-0.0009	-0.0024	-0.0060	HKD	5.3749	5.8404
						KRW	841.81	914.85
AU TWI	63.90					MYR	2.9039	3.1582
AUD/USD	0.7452	0.0003	0.0013	0.0023	0.0028	NOK	6.0195	6.5422
AUD/NZD	1.0868	0.0010	0.0036	0.0074	0.0131	SEK	6.5273	7.0941
AUD/JPY	93.39	-0.02	-0.12	-0.47	-1.77	SGD	0.9352	1.0164
AUD/EUR	0.6880	-0.0004	-0.0016	-0.0044	-0.0130	TWD	19.97	21.71
AUD/GBP	0.5732	0.0003	0.0010	0.0014	0.0002	ZAR	9.96	10.83
USD Index	100.30					EQUITIES		
EUR/USD	1.0831	0.0012	0.0043	0.0105	0.0250		Index	
USD/JPY	125.33	-0.09	-0.37	-1.02	-2.83	NZX50	11,889	
GBP/USD	1.3001	-0.0002	-0.0001	0.0009	0.0043	ASX200	7,454	
EUR/GBP	0.8331	0.0010	0.0034	0.0075	0.0164	Dow Jones	34,308	
						S&P 500	4,396	
INTEREST RATES			New Zealand		Australia	FTSE100	7,577	
			Mid		Mid	DAX 30	14,125	
30 day bank bills			1.45%		0.03%	Nikkei	26,335	
90 day bank bills			1.71%		0.31%	COMMODITIES		
1 year swap			3.03%		1.46%		USD	
2 year swap			3.63%		2.36%	Brent Crude	104.34	
3 year swap			3.75%		2.66%	Gold	1,967.97	
5 year swap			3.76%		2.98%	Silver	25.41	
10 year swap			3.77%		3.24%	Iron Ore	145.00	
3 year Govt bond			3.37%		2.56%	CRB Index	314.07	
5 year Govt bond			3.47%		2.80%		NZD	
10 year Govt bond			3.55%		3.08%	NZ Carbon	76.25	

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