

Market Alert

Thursday 21 April, 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6804	-0.0024
NZD/AUD	0.9137	-0.0062
NZD/JPY	86.91	-1.09
NZD/EUR	0.6271	-0.0086
NZD/GBP	0.5210	-0.0023
NZD/CNH	4.3849	0.0203
AUD/USD	0.7447	0.0024
AUD/EUR	0.6863	-0.0049
EUR/USD	1.0850	0.0113
USD/CNH	6.4447	0.0524
GBP/USD	1.3059	0.0013
EUR/GBP	0.8309	0.0079

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.10%
90 day bills	1.83%	0.36%
2 year swap	3.60%	2.44%
10 year Govt	3.49%	3.10%

Forget about the data, it's all about the gossip!

Last night, with the data releases being predominately second tier, the markets focused on the commentary from various 'influencers', well them and the Netflix announcements, but more on that later.

First up, Fed member, Neel Kashkari, said "if supply chains don't improve as I hope, the Federal Reserve's job will get harder, and will need to do more to bring inflation down." While Fed colleague, Mary Daley, stated "I see a 'really solid' case for a 50bps hike in May. We can also make an announcement on reducing the balance sheet as soon as May."

We also had ECB Council member, Joachim Nagel, raising the possibility of an ECB rate hike stating "It seems that we'll be able to conclude net purchases, possibly at the end of Q2" raising the possibility of a first interest-rate increase "at the beginning of Q3, if you stick to the sequence that we agreed on."

The IMF's chief economist, in an interview, stated "if inflation remains elevated for more than a couple more months in advanced economies, and wage pressures continue to rise, we will likely see more aggressive monetary policy tightening. The IMF's baseline forecasts project inflation peaking in Q2 anticipating that supply chain disruptions will ease, and the withdrawal of fiscal support will cool demand." While on China, he added "The March slowdown in China's economic data has been greater than expected, but there is room for Chinese authorities to counter this with fiscal, monetary stimulus." And bang on cue, Goldman Sachs forecast US core PCE inflation to fall from 4.0% from 5.2% by year-end.

Even though the Japanese deputy chief cabinet secretary announced, "We are closely watching FX moves with a sense of urgency as excess FX volatility and disorderly FX movements could have an adverse effect on the economy and financial stability." Mind you, it didn't stop USD/JPY hitting a 20-year high at 129.40, and within the USD/JPY cross, there are some serious implications for the US economy, given that Japan is now its

largest funder holding USD1.3 trillion of US treasuries.

In terms of actual data releases overnight, the Fed's Beige book highlighted inflationary pressures remain strong since the last report, with firms continuing to pass rising input costs swiftly though to customers. Several districts reported moderate employment gains despite hiring and retention difficulties and reported spikes in energy, metal, and agricultural prices. In the Eurozone industrial production increased 0.7% in February although the January number was downgraded to -0.7% from 0.0%.

What's the action, Jackson?

Stocks pared their early gains with earnings in focus and treasuries rallied as a growing chorus of money managers announced inflation was nearing its peak and the rate-hiking bets are overdone, but the real scandal involved Netflix whose shares fell almost 40% after the company announced 200k subscribers left the platform in the last quarter.

Commodities were quiet, while treasury yields eased back from yesterday's surge with the US 10 year bond at 2.84%, while the NZD and AUD recovered some of their recent shine rallying 1.0% overnight.

In case you haven't heard, New Zealand has its Q1 CPI release today at 10:45.



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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	73.51					CAD	0.8507	0.9310
NZD/USD	0.6804	-0.0002	-0.0010	-0.0024	-0.0046	CHF	0.6452	0.7062
NZD/AUD	0.9137	-0.0008	-0.0029	-0.0062	-0.0104	CNY	4.3676	4.7801
NZD/JPY	86.91	-0.10	-0.40	-1.09	-2.74	DKK	4.6648	5.1053
NZD/EUR	0.6271	-0.0009	-0.0035	-0.0086	-0.0194	FJD	1.4339	1.5693
NZD/GBP	0.5210	-0.0001	-0.0008	-0.0023	-0.0056	HKD	5.3367	5.8409
						KRW	839.56	918.77
AU TWI	64.10					MYR	2.9162	3.1920
AUD/USD	0.7447	0.0004	0.0013	0.0024	0.0034	NOK	5.9950	6.5615
AUD/NZD	1.0944	0.0009	0.0034	0.0074	0.0126	SEK	6.4221	7.0284
AUD/JPY	95.11	-0.03	-0.14	-0.56	-1.94	SGD	0.9272	1.0149
AUD/EUR	0.6863	-0.0004	-0.0017	-0.0049	-0.0135	TWD	19.89	21.77
AUD/GBP	0.5702	0.0004	0.0011	0.0014	0.0003	ZAR	10.23	11.19
USD Index	100.35					EQUITIES		
EUR/USD	1.0850	0.0012	0.0046	0.0113	0.0270		Index	
USD/JPY	127.74	-0.10	-0.41	-1.16	-3.17	NZX50	11,966	
GBP/USD	1.3059	-0.0002	0.0000	0.0013	0.0053	ASX200	7,569	
EUR/GBP	0.8309	0.0010	0.0035	0.0079	0.0172	Dow Jones	34,911	
						S&P 500	4,466	
INTEREST RATES			New Zealand		Australia	FTSE100	7,629	
			Mid		Mid	DAX 30	14,362	
30 day bank bills			1.51%		0.04%	Nikkei	27,218	
90 day bank bills			1.83%		0.36%	COMMODITIES		
1 year swap			3.09%		1.61%		USD	
2 year swap			3.60%		2.44%	Brent Crude	107.75	
3 year swap			3.73%		2.75%	Gold	1,957.00	
5 year swap			3.75%		3.08%	Silver	25.21	
10 year swap			3.79%		3.31%	Iron Ore	146.50	
3 year Govt bond			3.28%		2.55%	CRB Index	326.61	
5 year Govt bond			3.41%		2.80%		NZD	
10 year Govt bond			3.51%		3.10%	NZ Carbon	76.85	

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