

Market Alert

Tuesday 24 January 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6488	-0.0003
NZD/AUD	0.9229	-0.0072
NZD/JPY	84.05	-2.19
NZD/EUR	0.5949	-0.0066
NZD/GBP	0.5239	-0.0021
NZD/CNH	4.3561	-0.0522
AUD/USD	0.7029	0.0051
AUD/EUR	0.6466	-0.0022
EUR/USD	1.0866	0.0114
USD/CNH	6.7765	-0.0768
GBP/USD	1.2379	0.0043
EUR/GBP	0.8778	0.0059

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.90%	3.34%
2 year swap	4.96%	3.54%
10 year Govt	4.11%	3.54%

With holidays across most of Asia ...

... all we have are a couple of quotes!

Fed insider, Nick Timiraos of the WSJ, announced the FOMC is preparing for a 25bp rate hike next week as, "in recent public statements and interviews, Fed officials have said slowing the pace of rate increases to a more traditional 25bps would give them more time to assess the impact of their increases as they determine where to stop," although my personal favourite, Mohamed El Erian, stated, "I would personally go for 50bps, and that's because I think inflation is going to get sticky in mid-year around 4.00%."

CitiBank have also lowered their Fed forecasts stating, "Softer PPIs will join with slower consumer price and wage inflation to most likely push the Fed towards increment 25bps hikes. We are changing our call for the February FOMC meeting from a 50bps hike to 25bps, although we think markets should continue to place some probability on a larger-sized hike." Against this, JP Morgan has also been drinking the Kool-Aid given that when equity markets were on their knee's last year their analysts concluded a recession was basically a done deal. They have now dialled that well back saying the chance of a recession has fallen sharply with a soft landing now the most likely scenario.

There was positive news out of Europe after Euro-zone consumer confidence rose by 1.1 points to -20.9 in January, its highest since February 2022, while the Bundesbank announced, "German Q4 GDP is likely to have roughly stagnated, exceeding earlier expectations. The stress on energy markets is easing and supply chain bottlenecks are slowly dissipating."

This saw 55 out of 59 economists suggest that the ECB will hike by 50bps at their February and March meetings, with another 25bp expected in Q2, to lift the deposit rate to 3.25%. To some extent, this has been backed up by the ECB after policymaker, Peter Kažimír, chimed in with, "We need to deliver two more 50 bps rate hikes. Inflation easing is good news but not reason enough to slow pace of rate hikes. Core inflation trend is most important

for me," while Klaas Knot followed up on yesterday's 50bps comments with it is "too early to tell if the ECB could slow down the pace of its rate increases by the summer. There could also be a time in which we could make a further step down from 50 to 25bps, for instance, but we are still far away from that."

This makes our retainers look soooo cheap!

Citadel generated a record USD16 billion in profit for clients last year, while the top 20 hedge fund firms collectively generated USD22.4 billion in profit after fees.

With almost 20% of US firms expecting to reduce headcount in the coming months, US and European equities had another positive session. The EUR surged over the 1.0900 level on the ECB comments to reach its highest level in 9-months, although it wasn't able to hold on to those gains, however the AUD/USD was able to and opens this morning at above the 0.7000 level at 0.7030. The NZD was subdued at 0.6475. US treasuries were subdued with the 10-year yield closing at 3.52%.

Finally, Beyoncé performed at the opening of Dubai's newest hotel, the Atlantis Royal Hotel ... for a reported USD24 million!



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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	71.70					CAD	0.8676	0.9344
NZD/USD	0.6488	0.0002	0.0002	-0.0003	-0.0012	CHF	0.5984	0.6485
NZD/AUD	0.9229	-0.0009	-0.0032	-0.0072	-0.0141	CNY	4.3717	4.7147
NZD/JPY	84.05	-0.35	-1.04	-2.19	-4.52	DKK	4.4405	4.8111
NZD/EUR	0.5949	-0.0011	-0.0033	-0.0066	-0.0128	FJD	1.3845	1.5000
NZD/GBP	0.5239	-0.0002	-0.0009	-0.0021	-0.0048	HKD	5.0794	5.5029
						KRW	797.24	863.72
AU TWI	61.90					MYR	2.7788	3.0105
AUD/USD	0.6813	0.0009	0.0025	0.0051	0.0089	NOK	6.3651	6.8958
AUD/NZD	0.6535	0.0010	0.0036	0.0081	0.0161	SEK	6.6433	7.1972
AUD/JPY	90.83	-0.28	-0.82	-1.68	-3.53	SGD	0.8556	0.9270
AUD/EUR	0.6466	-0.0006	-0.0014	-0.0022	-0.0044	TWD	19.66	21.30
AUD/GBP	0.5676	0.0003	0.0009	0.0020	0.0033	ZAR	11.16	12.09
USD Index	102.03					EQUITIES		
EUR/USD	1.0866	0.0024	0.0060	0.0114	0.0206		Index	
USD/JPY	130.64	-0.58	-1.62	-3.32	-6.67	NZX50	11,949	
GBP/USD	1.2379	0.0009	0.0023	0.0043	0.0071	ASX200	7,457	
EUR/GBP	0.8778	0.0013	0.0032	0.0059	0.0109	Dow Jones	33,752	
						S&P 500	4,034	
						FTSE100	7,785	
						DAX 30	15,103	
						Nikkei	26,906	
INTEREST RATES		New Zealand	Australia			COMMODITIES		
		Mid	Mid				USD	
30 day bank bills		4.47%	3.17%			Brent Crude	88.33	
90 day bank bills		4.90%	3.34%			Gold	1,928.53	
1 year swap		5.39%	3.58%			Silver	23.46	
2 year swap		4.96%	3.54%			Iron Ore	122.16	
3 year swap		4.58%	3.49%			CRB Index	302.90	
5 year swap		4.30%	3.50%				NZD	
10 year swap		4.22%	3.85%			NZ Carbon	73.00	
3 year Govt bond		4.40%	3.07%					
5 year Govt bond		4.11%	3.18%					
10 year Govt bond		4.11%	3.54%					

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