

Market Alert

Tuesday 31 January 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6466	-0.0001
NZD/AUD	0.9164	-0.0062
NZD/JPY	84.39	-2.18
NZD/EUR	0.5965	-0.0063
NZD/GBP	0.5238	-0.0020
NZD/CNH	4.3696	-0.0475
AUD/USD	0.7053	0.0046
AUD/EUR	0.6506	-0.0025
EUR/USD	1.0840	0.0110
USD/CNH	6.7569	-0.0721
GBP/USD	1.2340	0.0044
EUR/GBP	0.8782	0.0057

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.91%	3.43%
2 year swap	4.92%	3.71%
10 year Govt	4.17%	3.63%

Short and sweet

With the Federal Reserve, ECB and BoE all set to raise interest rates this week, most pre-meeting discussion points are focused on the size of the hikes and the tone of the guidance. It is not inconceivable that each central bank hikes a different amount with contrasting rhetoric as economists debate the possibilities of global recessions and stagflation. Currently the markets are forecasting the Fed to announce a 25bps increase in the fed funds rate on Thursday, while the BoE and ECB are projected to raise rates by 50bps.

Overnight, data confirmed German GDP shrank by -0.2% in Q4 22, with Q3 revised to 0.5% while, on a yearly basis, growth slowed to 1.1%, its weakest level since a -2.1% contraction in Q1 2021. Unsurprisingly, the contraction in Europe's largest economy was mainly led by a decline in household consumption. In the Eurozone, economic sentiment rose 2.8 points on the month to 99.9 in January, its highest level since June and well above market expectations of 97.0.

BoJ Governor Haruhiko Kuroda announced the central bank will maintain its 2.00% inflation target and continue its easy monetary policy approach.

JP Morgan believes international equities will move higher this quarter, but it advises investors to sell the uptick as they forecast weaker earnings and slowing activity will eventually weigh. In a similar mode, Standard Chartered predicted earnings will be worse than expected amid margin compression. Unsurprisingly, BlackRock's credit ETFs are set to receive their largest-ever January inflows.

International equities started the week in the red ahead of rate decisions and further earnings. US Treasury yields continued their advance from last week's lows, with the 10-year Treasury yield 5bps higher at 3.54%, while the NZD/USD and AUD/USD were slightly lower amid general USD weakness.

Where shall we start?

To say it's been a wet couple of days here in Auckland is a bit of an understatement. Hopefully, you and your families are all safe, dry, and warm. For those of you that have been impacted, our thoughts and love are with you. In amongst the emergency settings, the floods, slips, and the debacle that was Elton John, what is happening in financial markets seems a little trifle at the moment, so we'll try and keep this mornings update as I am viewed by my wife ... short and sweet!



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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	72.40					CAD	0.8650	0.9439
NZD/USD	0.6466	0.0002	0.0002	-0.0001	-0.0003	CHF	0.5980	0.6527
NZD/AUD	0.9164	-0.0008	-0.0028	-0.0062	-0.0121	CNY	4.3753	4.7731
NZD/JPY	84.39	-0.30	-1.02	-2.18	-4.43	DKK	4.4361	4.8388
NZD/EUR	0.5965	-0.0009	-0.0032	-0.0063	-0.0121	FJD	1.3796	1.5052
NZD/GBP	0.5238	-0.0002	-0.0009	-0.0020	-0.0046	HKD	5.0665	5.5264
						KRW	795.29	867.73
AU TWI	62.70					MYR	2.7429	2.9927
AUD/USD	0.6813	0.0008	0.0024	0.0046	0.0076	NOK	6.4517	7.0374
AUD/NZD	0.6535	0.0008	0.0032	0.0070	0.0135	SEK	6.7269	7.3376
AUD/JPY	92.06	-0.25	-0.83	-1.76	-3.72	SGD	0.8499	0.9273
AUD/EUR	0.6506	-0.0005	-0.0014	-0.0025	-0.0052	TWD	19.45	21.21
AUD/GBP	0.5714	0.0003	0.0008	0.0016	0.0022	ZAR	11.26	12.28
USD Index	102.26					EQUITIES		
EUR/USD	1.0840	0.0020	0.0060	0.0110	0.0200		Index	
USD/JPY	130.47	-0.50	-1.61	-3.32	-6.72	NZX50	12,034	
GBP/USD	1.2340	0.0007	0.0022	0.0044	0.0080	ASX200	7,482	
EUR/GBP	0.8782	0.0010	0.0031	0.0057	0.0101	Dow Jones	33,820	
						S&P 500	4,036	
						FTSE100	7,785	
						DAX 30	15,126	
						Nikkei	27,433	
INTEREST RATES		New Zealand	Australia			COMMODITIES		
		Mid	Mid				USD	
30 day bank bills		4.52%	3.23%			Brent Crude	84.74	
90 day bank bills		4.91%	3.43%			Gold	1,922.15	
1 year swap		5.31%	3.74%			Silver	23.57	
2 year swap		4.92%	3.71%			Iron Ore	122.70	
3 year swap		4.56%	3.65%			CRB Index	302.30	
5 year swap		4.27%	3.66%				NZD	
10 year swap		4.24%	3.97%			NZ Carbon	72.50	
3 year Govt bond		4.36%	3.22%					
5 year Govt bond		4.09%	3.32%					
10 year Govt bond		4.17%	3.63%					

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