

Market Alert

Friday 10 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6333	0.0000
NZD/AUD	0.9117	-0.0056
NZD/JPY	83.22	-2.16
NZD/EUR	0.5898	-0.0061
NZD/GBP	0.5221	-0.0023
NZD/CNH	4.3023	-0.0526
AUD/USD	0.6946	0.0042
AUD/EUR	0.6466	-0.0028
EUR/USD	1.0738	0.0109
USD/CNH	6.7923	-0.0835
GBP/USD	1.2128	0.0048
EUR/GBP	0.8852	0.0051

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.35%
90 day bills	5.01%	3.51%
2 year swap	5.01%	3.88%
10 year Govt	4.20%	3.75%

Has US inflation peaked?

Most likely, but it's not going to fall quickly after US used vehicle prices jumped 2.5% in January, while the WSJ's Fed insider Nick Timiraos let slip that the Atlanta Fed's wage tracker eased to 7.3% in January from December's 7.7% ... yes, it is tracking lower but it's still very high. One positive was the initial jobless claims jumped to 196k last week, recovering from the previous week's 9-month low of 183k and above expectations at 190k.

Morgan Stanley has listed three reasons while the S&P500 bear market is not over as 1) the treasury yield curves remain deeply inverted, 2) gold continues to outperform both the S&P 500 and the Nasdaq, and 3) oil prices do not reflect a 'soft landing'.

Rent-a-quote JP Morgan CEO, Jamie Dimon, believes *"the Fed hiking to 5.0% and lingering there is a reasonable thing to do. (In fact) the Fed may hike higher than 5% if inflation proves to be sticky (and while) the economy is doing fine, there are potential issues ahead. A US debt default would be a disaster."*

German inflation edged higher to 8.7% in January from December's 4-month low at 8.6%, but at least it was below market forecasts at 8.9%.

Chinese January car sales slumped -38% in January to reverse December's 2.4% gain as demand plummeted after a tax cut on combustion engine cars and subsidies on electric vehicles expired.

BoE Governor Andrew Bailey announced that while the UK, *"has a very tight labour market. We expect inflation to come down rapidly this year (as) base effects will put a powerful negative trajectory on inflation this year."* While the ECB's Joachim Nagel added, *"Decisive monetary policy action is necessary to reduce the risk of an unanchoring of long-term inflation expectations. Interest rates have some ground to cover,"* which, I guess, means European interest rates are going higher!

But the yield curve is telling its own story ... and it isn't pretty!

In a sign of flagging confidence in the US economy, the US 2-year yield compared to the 10-year yield widened to its most inverted level since the early 1980s, surpassing its December 2022 gap.

The yield on the 2-year Treasury was as high as 4.446% during the overnight session and, at one point, exceeded the 10-year note by as much as -85.7 basis points. The 2-year yield was last below the 10-year yield in July 2022.

Ahead of next week's US inflation report, traders are hearing of a surge in S&P500 puts around the 4050 level, implying a breach of the 4100 level would *"generate a mid-February peak in risk assets and a slide in stocks following the CPI report."* But while there is a lot of activity to play out before this event, it is interesting to note that US equity markets are trading lower on the day following on from a positive session for European exchanges. Commodity markets are also weaker, while the 10-year US treasury bond has recovered some of its shine to be 4bps higher at 3.65%. Strangely, the USD has come under selling pressure, which has seen the NZD and AUD make modest gains.

"I Say a Little Prayer" ...

... as he 'Walks on By'. RIP to the GOAT of songwriters. RIP Burt Bacharach.



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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	71.00					CAD	0.8516	0.9342
NZD/USD	0.6333	0.0001	0.0001	0.0000	-0.0002	CHF	0.5835	0.6402
NZD/AUD	0.9117	-0.0008	-0.0028	-0.0056	-0.0105	CNY	4.3100	4.7250
NZD/JPY	83.22	-0.30	-1.04	-2.16	-4.43	DKK	4.3886	4.8134
NZD/EUR	0.5898	-0.0009	-0.0031	-0.0061	-0.0120	FJD	1.3643	1.4963
NZD/GBP	0.5221	-0.0002	-0.0009	-0.0023	-0.0051	HKD	4.9713	5.4525
						KRW	799.24	876.61
AU TWI	62.20					MYR	2.7308	2.9951
AUD/USD	0.6946	0.0007	0.0022	0.0042	0.0072	NOK	6.4342	7.0570
AUD/NZD	1.0964	0.0009	0.0032	0.0063	0.0114	SEK	6.5451	7.1786
AUD/JPY	91.26	-0.25	-0.87	-1.83	-3.86	SGD	0.8388	0.9200
AUD/EUR	0.6466	-0.0004	-0.0014	-0.0028	-0.0060	TWD	19.06	20.90
AUD/GBP	0.5726	0.0003	0.0007	0.0010	0.0009	ZAR	11.24	12.33
USD Index	103.14					EQUITIES		
EUR/USD	1.0738	0.0018	0.0058	0.0109	0.0209		Index	
USD/JPY	131.39	-0.50	-1.67	-3.42	-6.91	NZX50	12,119	
GBP/USD	1.2128	0.0006	0.0023	0.0048	0.0103	ASX200	7,490	
EUR/GBP	0.8852	0.0010	0.0030	0.0051	0.0090	Dow Jones	33,838	
						S&P 500	4,113	
INTEREST RATES			New Zealand		Australia	FTSE100	7,911	
			Mid		Mid	DAX 30	15,523	
30 day bank bills			4.69%		3.30%	Nikkei	27,584	
90 day bank bills			5.01%		3.51%	COMMODITIES		
1 year swap			5.35%		3.97%		USD	
2 year swap			5.01%		3.88%	Brent Crude	84.45	
3 year swap			4.68%		3.78%	Gold	1,866.49	
5 year swap			4.35%		3.74%	Silver	22.08	
10 year swap			4.32%		4.05%	Iron Ore	123.21	
3 year Govt bond			4.42%		3.37%	CRB Index	295.44	
5 year Govt bond			4.17%		3.45%		NZD	
10 year Govt bond			4.20%		3.75%	NZ Carbon	72.10	

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