

Market Alert

Monday 13 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6307	-0.0001
NZD/AUD	0.9114	-0.0056
NZD/JPY	82.88	-2.17
NZD/EUR	0.5907	-0.0061
NZD/GBP	0.5229	-0.0021
NZD/CNH	4.3071	0.0000
AUD/USD	0.6920	0.0041
AUD/EUR	0.6479	-0.0028
EUR/USD	1.0676	0.0106
USD/CNH	6.8223	0.0000
GBP/USD	1.2058	0.0047
EUR/GBP	0.8852	0.0053

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.35%
90 day bills	5.03%	3.52%
2 year swap	5.09%	4.01%
10 year Govt	4.23%	3.79%

Hopefully you are all warm and dry!

With New Zealand once again getting battered by storms and cyclones, hopefully you are all safe and wrapped up in your winter woollies!

Friday saw consumer sentiment in the US jump to a 13-month high after the University of Michigan index increased to 66.4 in February from January's 64.9. The gauge for current economic conditions improved although the inflation expectations for the year firmed to 4.2%.

And just to make sure there are no miss-understandings, Philadelphia Fed member Patrick Harker explicitly stated, "the January jobs report didn't change the outlook for monetary policy. The Fed is not

likely to cut (rates) this year but may be able to in 2024 if inflation starts ebbing. The Fed needs to hike to at least 5.0% and stay there for some time. It will take a couple years to get inflation back to 2%."

The UK narrowly avoided a recession after Q4 GDP printed at 0.0 on the quarter following Q3's -0.2% as the UK economy grew 0.4% over the year. Meanwhile, the country's trade deficit with the EU widened to a record GBP32.9 billion as imports jumped.

Local media has reported Kazuo Ueda will be nominated as the next BoJ Governor after Deputy Governor, Masayoshi Amamiya, turned-down the position. The rumour saw the JPY strength and 10-year JGB yield reach the top of its band at 0.50%.

There were no surprises in the RBA's minutes from last week's rate hike, as the "Board expects further increases in interest rates will be needed. The Board are mindful of the rises in interest rates already made, (and that) policy acts with a lag. Inflation likely peaked at the end of 2022. Domestically sourced inflation and wage growth both picking up. The RBA revises up its forecasts for core inflation, wage growth and GDP, although the unemployment outlook is little changed. CPI seen at 4.8% y/y end 2023, while GDP is seen at 1.6% y/y end 2023. These forecasts are based on the technical assumption the cash rate will peak at 3.75%, then ease to 3% by June 2025."

New Zealand manufacturing PMIs recorded its first expansion after 3 consecutive months of contractions increasing to 50.8 from 47.2, although it is still well below the long-term average activity rate of 53.0. Meanwhile, electronic card spending, which covers around 68% of all NZ spending, increased 2.6% in January, which was down on December's 4.8% gain.

Equity markets had a quite close to the week with few headlines in Friday's session although commodity prices were firmer after Russia announced plans to cut its oil output by 500,000 barrels a day next month. The USD-index also had a positive session, which saw the NZD and AUD close near their lows, as bond yields firmed with the T-bond 6bps higher at 3.75% while the German two-year bund yield jumped to its highest level since 2008.

The week ahead ...

Well, hopefully it's a dry one!

This week we have the US inflation rate, producer prices, retail sales, and several speeches by Fed officials, while the UK releases its CPI, retail sales, and labour data. From Australia we have the January employment data and Westpac consumer confidence.

Good luck, and hey, let's be careful out there!



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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	71.20					CAD	0.8420	0.9232
NZD/USD	0.6307	0.0001	0.0001	-0.0001	-0.0002	CHF	0.5822	0.6384
NZD/AUD	0.9114	-0.0008	-0.0027	-0.0056	-0.0101	CNY	4.2995	4.7147
NZD/JPY	82.88	-0.30	-1.03	-2.17	-4.45	DKK	4.4001	4.8277
NZD/EUR	0.5907	-0.0009	-0.0030	-0.0061	-0.0120	FJD	1.3619	1.4943
NZD/GBP	0.5229	-0.0002	-0.0009	-0.0021	-0.0048	HKD	4.9505	5.4316
						KRW	799.38	877.08
AU TWI	62.00					MYR	2.7303	2.9957
AUD/USD	0.6920	0.0007	0.0022	0.0041	0.0068	NOK	6.3758	6.9955
AUD/NZD	1.0971	0.0009	0.0031	0.0060	0.0111	SEK	6.5914	7.2320
AUD/JPY	90.90	-0.25	-0.87	-1.85	-3.95	SGD	0.8388	0.9204
AUD/EUR	0.6479	-0.0005	-0.0014	-0.0028	-0.0063	TWD	19.04	20.89
AUD/GBP	0.5737	0.0003	0.0007	0.0011	0.0009	ZAR	11.30	12.40
USD Index	103.58					EQUITIES		
EUR/USD	1.0676	0.0018	0.0055	0.0106	0.0207		Index	
USD/JPY	131.40	-0.50	-1.66	-3.42	-6.95	NZX50	12,179	
GBP/USD	1.2058	0.0006	0.0022	0.0047	0.0099	ASX200	7,434	
EUR/GBP	0.8852	0.0010	0.0029	0.0053	0.0096	Dow Jones	33,869	
						S&P 500	4,090	
INTEREST RATES			New Zealand		Australia	FTSE100	7,882	
			Mid		Mid	DAX 30	15,308	
30 day bank bills			4.72%		3.31%	Nikkei	27,671	
90 day bank bills			5.03%		3.52%	COMMODITIES		
1 year swap			5.40%		4.00%		USD	
2 year swap			5.09%		4.01%	Brent Crude	86.39	
3 year swap			4.75%		3.84%	Gold	1,864.49	
5 year swap			4.42%		3.84%	Silver	21.99	
10 year swap			4.33%		4.13%	Iron Ore	125.14	
3 year Govt bond			4.49%		3.46%	CRB Index	297.40	
5 year Govt bond			4.23%		3.52%		NZD	
10 year Govt bond			4.23%		3.79%	NZ Carbon	72.30	

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