

Market Alert

Wednesday 15 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6342	0.0000
NZD/AUD	0.9080	-0.0060
NZD/JPY	84.38	-2.22
NZD/EUR	0.5907	-0.0060
NZD/GBP	0.5206	-0.0021
NZD/CNH	4.3350	-0.0530
AUD/USD	0.6983	0.0039
AUD/EUR	0.6502	-0.0031
EUR/USD	1.0735	0.0107
USD/CNH	6.8337	-0.0840
GBP/USD	1.2176	0.0043
EUR/GBP	0.8815	0.0053

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.35%
90 day bills	5.08%	3.54%
2 year swap	5.13%	4.06%
10 year Govt	4.34%	3.83%

I hope you all bought something expensive for your valentine ...

... although I couldn't help getting the impression my valentine wasn't impressed with the dozen eggs!

The rocky road to taming US inflation just got a little rougher to navigate after the year-on-year CPI prints exceeded expectations at 6.4%, with the core at 5.6%, against the 6.2% and 5.5% expected. Month on month, both the headline and core came out in line with expectations at 0.5% and 0.4%. Breaking it down, food prices eased slightly while the cost of used cars and trucks continued to decline, although upside pricing-tensions were generated by further increases in the cost of shelter while energy also increased after gasoline prices rose to

their highest level in 3-months increasing 1.5%.

Its impact was probably best summed up by Boston Fed President Lorie Logan, who announced, "*the Fed must be prepared to keep raising rates longer than anticipated, if needed. Tightening policy too little is the top risk. Even after pausing, we need to stay flexible then tighten further if conditions call for it. We need continued gradual rate hikes until we see convincing evidence inflation is falling to 2% in a sustainable, timely way.*" Lorie's Fed colleague Patrick Harker the added, "*today's inflation report shows inflation is not moving down quickly. How much above 5.0% we need to go depends on incoming data.*"

It was a similar story in NZ ...

... after the January food price index jumped 1.7% in January, up from December's 1.1% gain and, given all of the recent weather-related events, we should probably expect this to continue to trend higher! However, the RBNZ may find some comfort in its survey of inflation expectations, which revealed a fall in expectations for inflation over the next 2 years, from 3.6% to 3.3%. However, the 1-year expectations ticked higher, from 5.08% to 5.11%. Blame the weather... and the price of eggs.

Australia weekly consumer confidence fell 5.5 points to 78.1, its lowest since April 2020 as "*average confidence amongst those paying off their home fell by 10pts.*"

Policymaker Gabriel Makhlof told the WSJ he's 'open to acting forcefully' to bring inflation to target.

In the Euro-zone, GDP expanded 0.1% in Q4 22 and 1.9% on the year, which was in line with expectations, while employment rose 0.4% on the quarter. We also had ECB policymaker Gabriel Makhlof state he's 'open to acting forcefully' to bring inflation back to target suggesting that the ECB may even have to raise rates above 3.5%, and they 'probably' won't cut rates this year either.

This could be an issue for some of those cash rich companies that remunerate their CEOs on the companies share performance ... senior US Democrats want stricter limits on stock buybacks.

The poor inflation report saw US equity markets give-up their gains after positive sessions in the European and Asian markets, but commodity prices were a mixed bag after Oil prices fell 1.00% after the Biden administration said it would release 26 million barrels of oil from its strategic reserves while natural gas prices rose 7.4% on a re-opening of the Freeport LNG terminal. The T-bond rose 4bps to 3.76%, while the NZD and AUD eased back.



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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	71.80					CAD	0.8463	0.9321
NZD/USD	0.6342	0.0001	0.0001	0.0000	0.0000	CHF	0.5842	0.6432
NZD/AUD	0.9080	-0.0008	-0.0027	-0.0060	-0.0107	CNY	4.3164	4.7510
NZD/JPY	84.38	-0.30	-1.05	-2.22	-4.56	DKK	4.4008	4.8456
NZD/EUR	0.5907	-0.0009	-0.0030	-0.0060	-0.0118	FJD	1.3642	1.5020
NZD/GBP	0.5206	-0.0002	-0.0009	-0.0021	-0.0043	HKD	4.9784	5.4816
						KRW	806.41	887.92
AU TWI	62.50					MYR	2.7569	3.0355
AUD/USD	0.6983	0.0007	0.0022	0.0039	0.0071	NOK	6.4238	7.0731
AUD/NZD	1.1007	0.0009	0.0031	0.0059	0.0109	SEK	6.5658	7.2294
AUD/JPY	92.82	-0.26	-0.88	-1.95	-4.09	SGD	0.8423	0.9274
AUD/EUR	0.6502	-0.0005	-0.0014	-0.0031	-0.0062	TWD	19.19	21.13
AUD/GBP	0.5733	0.0003	0.0008	0.0009	0.0014	ZAR	11.35	12.50
USD Index	103.24					EQUITIES		
EUR/USD	1.0735	0.0018	0.0056	0.0107	0.0210		Index	
USD/JPY	133.04	-0.50	-1.67	-3.50	-7.15	NZX50	12,074	
GBP/USD	1.2176	0.0006	0.0021	0.0043	0.0095	ASX200	7,431	
EUR/GBP	0.8815	0.0010	0.0029	0.0053	0.0100	Dow Jones	34,122	
						S&P 500	4,138	
INTEREST RATES			New Zealand		Australia	FTSE100	7,954	
			Mid		Mid	DAX 30	15,381	
30 day bank bills			4.77%		3.32%	Nikkei	27,603	
90 day bank bills			5.08%		3.54%	COMMODITIES		
1 year swap			5.43%		4.02%		USD	
2 year swap			5.13%		4.06%	Brent Crude	85.56	
3 year swap			4.82%		3.96%	Gold	1,856.79	
5 year swap			4.53%		3.89%	Silver	21.89	
10 year swap			4.45%		4.16%	Iron Ore	123.76	
3 year Govt bond			4.57%		3.50%	CRB Index	297.65	
5 year Govt bond			4.34%		3.56%		NZD	
10 year Govt bond			4.34%		3.83%	NZ Carbon	71.90	

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