

Market Alert

Thursday 16 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6278	0.0000
NZD/AUD	0.9100	-0.0057
NZD/JPY	84.30	-2.21
NZD/EUR	0.5880	-0.0060
NZD/GBP	0.5224	-0.0023
NZD/CNH	4.3117	-0.0534
AUD/USD	0.6898	0.0043
AUD/EUR	0.6461	-0.0026
EUR/USD	1.0677	0.0106
USD/CNH	6.8679	-0.0848
GBP/USD	1.2015	0.0048
EUR/GBP	0.8883	0.0048

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.35%
90 day bills	5.09%	3.54%
2 year swap	5.17%	4.07%
10 year Govt	4.35%	3.84%

US rates may be higher for longer!

Especially after US consumers started the new year in 'perky' fashion as retail sales unexpectedly jumped 3.0% in January to their highest level since March 2021, and way above market forecasts for a 2.0% rise. Major 'drivers' were increases in car purchases, department stores, and food sales. Output at US factories rose 1.0% in January, the most in nearly a year, although industrial production missed estimates printing at 0.0%. February's Empire gauge was also better than forecast as it reached -5.8 against the -18.0 forecast.

RBA Governor, Philip Lowe, spent yesterday giving his testimony in parliament where he announced, "Monetary policy is restrictive. Inflation is way too high; it needs to come down. The risk is that we have not yet done enough on interest rates." Meanwhile, JP Morgan Chase CFO Jeremy Barnum speaking at an investor conference, stated, "we've got another couple of hikes priced in, at this point, it looks like the peak (Fed) funds (rate) at something like 5.50%".

A mixed bag

Much like rest of the world, inflation in the UK has come off slightly, albeit still elevated. Annual inflation fell in January to 10.1% from 10.5% in December, marginally below market expectations of 10.3%. This is the third consecutive monthly fall in inflation and its lowest since September 2022. The largest downward contributors were passenger transport and fuel.

While China continues to reopen its economy, concerns about sagging demand in China has led President Xi to bring in "more forceful measures" to expand domestic spending. While promising more favourable policies to support private and foreign businesses.

On the currency and commodity front, the US dollar index strengthened sharply against most currencies, breaking above

104 to its highest level since early January as robust economic data threw some cold water on expectations for the ending of the Fed's tightening campaign. The NZD/USD is under 0.6300, while the AUD/USD is at 0.6890 as USD strength takes a toll on both currencies. Oil continues to fall amid concerns about weak demand, reports show that US crude inventories jumped by 16.283 million barrels to 842.973 million last week, the highest level since early October. Adding further pressure on prices following the US government's announcement to release 26 million barrels of oil from strategic reserves.

Overnight, equities were mixed as stronger-than-expected retail sales data offered evidence of resilience in the US economy, while also fuelling expectations of more interest rate hikes by the Fed in the months ahead. The S&P 500 retreated 0.1% as the tech-heavy Nasdaq turned positive, while European markets were up across the board.



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Daily Rates

Thursday 16 February 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.40					CAD	0.8407	0.9238
NZD/USD	0.6278	0.0000	0.0001	0.0000	0.0001	CHF	0.5806	0.6380
NZD/AUD	0.9100	-0.0009	-0.0027	-0.0057	-0.0104	CNY	4.2894	4.7077
NZD/JPY	84.30	-0.31	-1.04	-2.21	-4.59	DKK	4.3803	4.8129
NZD/EUR	0.5880	-0.0010	-0.0029	-0.0060	-0.0120	FJD	1.3589	1.4933
NZD/GBP	0.5224	-0.0003	-0.0009	-0.0023	-0.0053	HKD	4.9275	5.4142
						KRW	807.82	887.60
AU TWI	62.50					MYR	2.7560	3.0287
AUD/USD	0.6898	0.0007	0.0022	0.0043	0.0073	NOK	6.4191	7.0519
AUD/NZD	1.0984	0.0010	0.0031	0.0066	0.0117	SEK	6.5547	7.2021
AUD/JPY	92.61	-0.25	-0.87	-1.87	-4.06	SGD	0.8392	0.9219
AUD/EUR	0.6461	-0.0005	-0.0014	-0.0026	-0.0060	TWD	19.08	20.96
AUD/GBP	0.5739	0.0002	0.0007	0.0010	0.0006	ZAR	11.32	12.44
USD Index	103.97					EQUITIES		
EUR/USD	1.0677	0.0018	0.0055	0.0106	0.0210		Index	
USD/JPY	134.25	-0.50	-1.68	-3.53	-7.22	NZX50	12,083	
GBP/USD	1.2015	0.0006	0.0022	0.0048	0.0108	ASX200	7,352	
EUR/GBP	0.8883	0.0010	0.0028	0.0048	0.0091	Dow Jones	34,066	
						S&P 500	4,136	
INTEREST RATES			New Zealand		Australia	FTSE100	7,998	
			Mid		Mid	DAX 30	15,506	
30 day bank bills			4.78%		3.33%	Nikkei	27,502	
90 day bank bills			5.09%		3.54%	COMMODITIES		
1 year swap			5.45%		4.04%		USD	
2 year swap			5.17%		4.07%	Brent Crude	85.54	
3 year swap			4.85%		3.97%	Gold	1,836.21	
5 year swap			4.53%		3.88%	Silver	21.64	
10 year swap			4.40%		4.14%	Iron Ore	124.20	
3 year Govt bond			4.59%		3.52%	CRB Index	298.52	
5 year Govt bond			4.36%		3.58%		NZD	
10 year Govt bond			4.35%		3.84%	NZ Carbon	71.80	

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