

Market Alert

Wednesday 8 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6285	0.0003
NZD/AUD	0.9104	-0.0054
NZD/JPY	82.64	-2.09
NZD/EUR	0.5882	-0.0058
NZD/GBP	0.5241	-0.0020
NZD/CNH	4.2723	-0.0492
AUD/USD	0.6904	0.0045
AUD/EUR	0.6458	-0.0026
EUR/USD	1.0687	0.0110
USD/CNH	6.7982	-0.0820
GBP/USD	1.1985	0.0047
EUR/GBP	0.8913	0.0051

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.35%
90 day bills	4.98%	3.43%
2 year swap	4.85%	3.80%
10 year Govt	4.11%	3.68%

I remember the good old days

... when central banks would shock and surprise markets by hiking and cutting without any warnings or suggestions. Unfortunately, these days everything is telegraphed in advanced, as with the RBA yesterday when they hiked the cash rate 25bps to 3.35%. There weren't any surprises in the statement either as, "inflation is expected to decline this year due to both global factors and slower growth in domestic demand. The Board expects further increases in interest rates. The central forecast is for CPI inflation to decline to 4.75% this year and to around 3.00% by mid-2025. GDP growth expected to slow to around 1.50% over 2023 and 2024. The path to achieving a soft landing remains a

narrow one. The labour market remains very tight and age growth is continuing to pick up. Household balance sheets are also being affected by the decline in housing prices."

Jerome enters stage right!

Jerome Powell spoke at the Economics Club of Washington where he stated he "expects 2023 to be a year of significant declines in inflation, but, if it were to continue to come in a stronger than expected (we) would certainly raise rates more. The disinflationary process has begun but has a long way to go. Ongoing rate increases will be appropriate (as we) still have not reached sufficiently restrictive levels. My guess is that it will take this year and next year to get down to 2.0%. We're not seeing deflation in core services (but we) will need to keep rates high to do it. We're not seeing disinflation in housing either, but we expect to see that happen. The labour market is 'at least' at maximum employment."

Atlanta President Raphael Bostic believes the strong labour market report means "we have to do a little more work, and I would expect that that would translate into us raising interest rates more than I have projected."

The US trade deficit increased to a record USD948.1 billion in 2022, the equivalent to 3.7% of the GDP, while the IBD/TIPP economic optimism index increased to a 10-month high of 45.1 in February. Goldman Sachs sees a 25% probability of the US entering a recession in the next

12-months although US President Biden announced, "the risk of a US recession is still very low." German industrial production fell -3.1% in December following November's upwardly revised 0.4%.

The Australian December trade balance reached an AUD12.2 billion surplus, against an expected AUD12.4bn, as exports fell -1.0% on the month and imports jumped 1.0%. In NZ, the commodity price index fell -1.0% in January and -13.1% on the year or, in NZD terms, -1.2% and -9.9% but, on a positive note, the GDT auction had a good session overnight with the overall index up 3.2%, mainly driven by the rally in WMP which closed up 3.8% at a similar price to last week's GDP Pulse auction.

With Powell reiterating he will keep rates in restrictive territory, equity markets sold-off while the 10-year treasury firmed 5bps on the speech to be up 1bps on the day. Commodity prices were firmer, with oil up almost 3.0% after OPEC+ announced it wouldn't raise oil production this year, while the AUD and NZD gave up their post-RBA gains to be slightly lower on the day amid continuing USD-strength.



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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	0.8458	0.9291
NZD/USD	0.6285	0.0001	0.0002	0.0003	0.0002	CHF	0.5812	0.6385
NZD/AUD	0.9104	-0.0008	-0.0027	-0.0054	-0.0100	CNY	4.2671	4.6834
NZD/JPY	82.64	-0.29	-0.99	-2.09	-4.28	DKK	4.3748	4.8057
NZD/EUR	0.5882	-0.0009	-0.0030	-0.0058	-0.0112	FJD	1.3586	1.4922
NZD/GBP	0.5241	-0.0002	-0.0009	-0.0020	-0.0046	HKD	4.9328	5.4179
						KRW	791.57	869.53
AU TWI	62.00					MYR	2.7032	2.9694
AUD/USD	0.6904	0.0007	0.0022	0.0045	0.0079	NOK	6.5360	7.1797
AUD/NZD	1.0979	0.0008	0.0031	0.0063	0.0111	SEK	6.6832	7.3414
AUD/JPY	90.76	-0.25	-0.83	-1.77	-3.76	SGD	0.8343	0.9164
AUD/EUR	0.6458	-0.0005	-0.0014	-0.0026	-0.0054	TWD	18.90	20.76
AUD/GBP	0.5757	0.0003	0.0007	0.0012	0.0011	ZAR	11.09	12.18
USD Index	103.60					EQUITIES		
EUR/USD	1.0687	0.0018	0.0055	0.0110	0.0211		Index	
USD/JPY	131.44	-0.49	-1.62	-3.39	-6.91	NZX50	12,129	
GBP/USD	1.1985	0.0006	0.0021	0.0047	0.0105	ASX200	7,504	
EUR/GBP	0.8913	0.0010	0.0029	0.0051	0.0089	Dow Jones	33,646	
						S&P 500	4,095	
INTEREST RATES			New Zealand		Australia	FTSE100	7,865	
			Mid		Mid	DAX 30	15,321	
30 day bank bills			4.64%		3.30%	Nikkei	27,685	
90 day bank bills			4.98%		3.43%	COMMODITIES		
1 year swap			5.20%		3.86%		USD	
2 year swap			4.85%		3.80%	Brent Crude	83.16	
3 year swap			4.51%		3.72%	Gold	1,865.89	
5 year swap			4.23%		3.69%	Silver	22.07	
10 year swap			4.18%		4.01%	Iron Ore	124.34	
3 year Govt bond			4.27%		3.28%	CRB Index	290.21	
5 year Govt bond			4.04%		3.37%		NZD	
10 year Govt bond			4.11%		3.68%	NZ Carbon	72.50	

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