

# Market Alert

Thursday 2 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6250	-0.0002
NZD/AUD	0.9257	-0.0064
NZD/JPY	85.08	-2.38
NZD/EUR	0.5867	-0.0062
NZD/GBP	0.5204	-0.0024
NZD/CNH	4.2995	-0.0585
AUD/USD	0.6752	0.0044
AUD/EUR	0.6336	-0.0023
EUR/USD	1.0652	0.0108
USD/CNH	6.8779	-0.0914
GBP/USD	1.2006	0.0047
EUR/GBP	0.8870	0.0052

  

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.35%
90 day bills	5.19%	3.64%
2 year swap	5.32%	4.06%
10 year Govt	4.60%	3.89%

## Last night was counter intuitive!

The NZD was a standout performer without a clear driver. Initially the EUR strengthened on the strong CPI print, which carried the NZD higher, and with inflation and growth holding the AUD back, NZD/AUD stops above 0.9200 were triggered to see the NZD become the outstanding performer overnight. There were also rumours of insurance related buying. Against this, correlation models fell apart as equity markets were broadly weaker as the 10-year US treasury yield gained 8bps to its highest level since mid-November at 4.00%.

RBA Governor Philip Lowe will likely be happy as the January inflation print eased to 7.4%, beating forecasts of

8.1% and December's 8.4% although, he will be shedding a tear given Q4 GDP fell to 0.5% against a 0.8%. On the year, Australian growth was in line with expectations at 2.7% although it was substantially lower than Q3's 5.9%. Australian manufacturing PMIs also exceeded expectations reaching 50.5 from January's 50.0.

Germany CPI remained unchanged at 8.7% year-on-year in February, not far from October's and November's peak at 8.8% and above market expectations of 8.0%. This saw the German 10-year bund climb to its highest level since 2011 at 2.73%.

US ISM manufacturing PMIs edged slightly higher to 47.7 from January's 21-month low at 47.4, although the print fell short of expectations of 48. It was the fourth consecutive month of falling factory activity.

China's rebound continued to gain momentum after the 'official' February PMIs saw manufacturing increase to its highest level in a decade at 52.6 from 50.1, services extend to 56.3 from 54.4. This meant the composite increased to 56.4 from 52.9, while the Caixin manufacturing PMI reached 51.6 in February following January's 49.2. Following on yesterday's announcement that at least 17 out of 31 regional governments face a serious funding squeeze, China's finance minister announced they will "appropriately increase fiscal spending this year!"

The Japanese Jibun manufacturing PMIs remain in contractionary territory at 47.7, which was down on January's 48.9 while NZ building permits fell -1.5% in January – at least it was better than December's -7.2% contraction.

Atlanta Fed President Raphael Bostic called for continued interest-rate hikes stating, "I think we will need to raise the federal funds rate to between 5% and 5.25% and leave it there until well into 2024. This will allow tighter policy to filter through the economy and ultimately bring aggregate supply and aggregate demand into better balance and thus lower inflation. History teaches that if we ease up on inflation before it is thoroughly subdued, it can flare anew. That happened with disastrous results in the 1970s."

ECB council member Ignazio Visco, "there is no question policy tightening must continue. The pace of further ECB hikes will depend on the data and outlook. It is essential to balance risk of a too gradual recalibration with that of an excessive tightening." Colleague Madis 'Mad' Muller then added, "Rate hikes are having an effect, but inflation is still too high."

BoE Governor Andrew Bailey announced, "I would caution against implying that we are finished raising interest rates. A further increase in the bank rate may be necessary. Inflation has been slightly lower, while activity and wages have been slightly higher, with the emphasis on 'slightly' in both cases."



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# Daily Rates

Thursday 2 March 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8506	0.9189
NZD/USD	0.6250	0.0000	0.0000	-0.0002	-0.0007	CHF	0.5877	0.6350
NZD/AUD	0.9257	-0.0010	-0.0032	-0.0064	-0.0119	CNY	4.2957	4.6428
NZD/JPY	85.08	-0.37	-1.17	-2.38	-4.76	DKK	4.3649	4.7155
NZD/EUR	0.5867	-0.0011	-0.0032	-0.0062	-0.0116	FJD	1.3634	1.4729
NZD/GBP	0.5204	-0.0003	-0.0011	-0.0024	-0.0048	HKD	4.9058	5.2998
						KRW	815.19	880.67
AU TWI	61.60					MYR	2.7938	3.0181
AUD/USD	0.6752	0.0007	0.0022	0.0044	0.0080	NOK	6.5003	7.0224
AUD/NZD	1.0799	0.0011	0.0035	0.0069	0.0130	SEK	6.5356	7.0605
AUD/JPY	91.90	-0.30	-0.94	-1.95	-4.03	SGD	0.8393	0.9064
AUD/EUR	0.6336	-0.0005	-0.0013	-0.0023	-0.0046	TWD	19.10	20.64
AUD/GBP	0.5622	0.0003	0.0008	0.0013	0.0019	ZAR	11.35	12.26
USD Index	104.47					<b>EQUITIES</b>		
EUR/USD	1.0652	0.0020	0.0056	0.0108	0.0201		<b>Index</b>	
USD/JPY	136.10	-0.60	-1.84	-3.76	-7.54	NZX50	11,876	
GBP/USD	1.2006	0.0007	0.0023	0.0047	0.0101	ASX200	7,252	
EUR/GBP	0.8870	0.0011	0.0030	0.0052	0.0093	Dow Jones	32,629	
						S&P 500	3,953	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,915	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,305	
30 day bank bills			4.91%		3.45%	Nikkei	27,517	
90 day bank bills			5.19%		3.64%	<b>COMMODITIES</b>		
1 year swap			5.55%		4.07%		<b>USD</b>	
2 year swap			5.32%		4.06%	Brent Crude	84.04	
3 year swap			5.06%		3.96%	Gold	1,838.49	
5 year swap			4.76%		3.93%	Silver	21.03	
10 year swap			4.61%		4.21%	Iron Ore	124.05	
3 year Govt bond			4.82%		3.57%	CRB Index	295.01	
5 year Govt bond			4.60%		3.63%		<b>NZD</b>	
10 year Govt bond			4.60%		3.89%	NZ Carbon	67.00	

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