

# Market Alert

Tuesday 21 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6249	-0.0017
NZD/AUD	0.9301	-0.0090
NZD/JPY	82.12	-2.39
NZD/EUR	0.5829	-0.0073
NZD/GBP	0.5090	-0.0031
NZD/CNH	4.2949	-0.0645
AUD/USD	0.6716	0.0041
AUD/EUR	0.6264	-0.0024
EUR/USD	1.0717	0.0102
USD/CNH	6.8741	-0.0847
GBP/USD	1.2273	0.0033
EUR/GBP	0.8731	0.0053

  

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.16%	3.74%
2 year swap	4.93%	3.38%
10 year Govt	4.30%	3.27%

## Next bank in the crosshairs ... First Republic Bank.

Following on from last week's attempts to stabilise First Republic Bank, which saw 11 banks deposit USD30bn in their accounts, the finger in the dike didn't have its desired effect as First Republic saw USD70bn withdrawn from its accounts. And with its share price down another 44.81% today after S&P downgraded the bank for a second time in a week, JPMorgan CEO Jamie Dimon is leading discussions with other CEOs to convert some, or all, of the USD30bn of deposits into a capital infusion, which begs the question, given First Republic predominately caters to wealthy clients, which bank will they end up at when the dust settles?

But in amongst the banking carnage, equity markets staged a modest recovery with international exchanges 0.50% to 1.50% higher. Commodity markets were also stable as oil prices consolidated just below the USD70p/b level, as were bond markets with the US 2-yrs 11bps higher at 3.95% while the 10-yrs firmed 8bps to 3.48%. Interestingly, while the USD-index sold-off, the NZD weakened against the USD while the AUD was flat.

The Euro-zone recorded a slightly trade deficit of EUR30.6bn in January after imports grew by 9.7% while exports jumped by 11%. Germany producer price inflation slowed for a 5th straight month to a 17-month low of 15.8% in February, down on January's 17.6%.

ECB President Christine Lagarde announced, "*Without the tensions, we would have indicated that further hikes would be needed. Financial tensions could dampen demand and undertake some of the work that could have been done by monetary policy. Vulnerabilities in the non-bank financial sector could exacerbate volatility and asset price corrections. Individual financial institutions should carefully persevere their current levels of resilience, to ensure they they can weather a potentially less favourable environment.*"

A couple of Christine's colleagues were also providing contraindications to the markets with dove Yannis Stournaras stating, "*We are close to the end of the tightening cycle. Rate hikes are mostly a story of the past*" while hawk Mario

Centeno added, "*A number of factors point to an increase in inflationary pressures. The issue is not so much the level of interest rates as it is the rate at which they are rising.*"

The PBoC left its key lending rates steady for the 7th consecutive month, as was expected, with the 1-yr loan prime rate (LPR), at 3.65% and the 5-yr rate at 4.3%.

## Every time the regulators come to the rescue ...

There is always a knock-on impact!

Following on from UBS's takeover of Credit Suisse, the sale of Signature bank assets, and the extension of US-dollar swap lines amongst central banks by should help to stabilise the global banking system, there is a canary in the coalmine for the regulators! The wipe-out of Credit Suisse's AT1 tier 1 bonds, worth CFH16bn, has raised concerns. AT1 bonds, also known as contingent convertibles or 'CoCos' are a type of debt that is considered part of a bank's regulatory capital. Holders can convert them into equity or write them down in certain situations. Usually, equity investments would be classed as secondary in pay-out's to AT1 bonds, but in writing down the value of the AT1 bonds to zero with shareholders to receive pay-outs, concerns have been raised as to the vulnerability of similar assets in a USD275bn market.



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# Daily Rates

Tuesday 21 March 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.60					CAD	0.8538	0.9176
NZD/USD	0.6249	-0.0001	-0.0004	-0.0017	-0.0041	CHF	0.5805	0.6239
NZD/AUD	0.9301	-0.0012	-0.0035	-0.0090	-0.0177	CNY	4.2956	4.6174
NZD/JPY	82.12	-0.40	-1.16	-2.39	-4.72	DKK	4.3399	4.6642
NZD/EUR	0.5829	-0.0012	-0.0036	-0.0073	-0.0150	FJD	1.3635	1.4654
NZD/GBP	0.5090	-0.0005	-0.0015	-0.0031	-0.0068	HKD	4.9005	5.2667
						KRW	816.26	877.26
AU TWI	60.50					MYR	2.8014	3.0108
AUD/USD	0.6716	0.0008	0.0022	0.0041	0.0063	NOK	6.6522	7.1493
AUD/NZD	1.0746	0.0013	0.0039	0.0093	0.0191	SEK	6.4815	6.9658
AUD/JPY	88.27	-0.33	-0.92	-1.78	-3.50	SGD	0.8357	0.8982
AUD/EUR	0.6264	-0.0005	-0.0014	-0.0024	-0.0042	TWD	19.06	20.49
AUD/GBP	0.5470	0.0002	0.0006	0.0014	0.0032	ZAR	11.57	12.44
USD Index	103.28					<b>EQUITIES</b>		
EUR/USD	1.0717	0.0021	0.0058	0.0102	0.0178		<b>Index</b>	
USD/JPY	131.42	-0.63	-1.77	-3.44	-6.43	NZX50	11,565	
GBP/USD	1.2273	0.0009	0.0024	0.0033	0.0052	ASX200	6,899	
EUR/GBP	0.8731	0.0010	0.0027	0.0053	0.0105	Dow Jones	32,154	
						S&P 500	3,945	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,404	
			<b>Mid</b>		<b>Mid</b>	DAX 30	14,933	
30 day bank bills			4.97%		3.67%	Nikkei	26,946	
90 day bank bills			5.16%		3.74%	<b>COMMODITIES</b>		
1 year swap			5.23%		3.36%		<b>USD</b>	
2 year swap			4.93%		3.38%	Brent Crude	73.71	
3 year swap			4.66%		3.31%	Gold	1,981.89	
5 year swap			4.54%		3.29%	Silver	22.53	
10 year swap			4.20%		3.66%	Iron Ore	130.00	
3 year Govt bond			4.49%		2.76%	CRB Index	279.72	
5 year Govt bond			4.32%		2.86%		<b>NZD</b>	
10 year Govt bond			4.30%		3.27%	NZ Carbon	65.75	

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