

Market Alert

Tuesday 11 April 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6217	-0.0012
NZD/AUD	0.9363	-0.0085
NZD/JPY	83.06	-2.37
NZD/EUR	0.5726	-0.0066
NZD/GBP	0.5022	-0.0025
NZD/CNH	4.2994	-0.0676
AUD/USD	0.6640	0.0047
AUD/EUR	0.6114	-0.0016
EUR/USD	1.0857	0.0097
USD/CNH	6.8921	-0.0957
GBP/USD	1.2378	0.0038
EUR/GBP	0.8772	0.0050

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.60%
90 day bills	5.52%	3.69%
2 year swap	4.93%	3.31%
10 year Govt	4.00%	3.26%

Inflation remains everywhere!

US consumer inflation expectations for the year ahead jumped to 4.7% in March, rebounding from an almost two year low of 4.2% in February, as inflation expectations increased for the first time in five months. The Atlanta Fed GDPNow estimate for 1Q US growth jumped from 1.4% to 2.2%, while February wholesale inventories rose 0.1% versus the 0.2% expected.

There wasn't much to report from the Euro-zone, although one ECB member announced, "Core inflation in the euro zone is expected to remain elevated."

The overnight price action saw the JPY come under selling pressure after new BoJ governor, Kazuo Ueda, signalled there would be no significant changes

to Japan's monetary policy, announcing "A small rate hike would not be a big issue for the financial system, but Japan is not in a situation where rates can be raised significantly. It is appropriate to continue negative interest rates for now (as they provide the basis for current monetary stimulus. Yield target, ETF purchases have had side effects but that does not mean it was a mistake to adopt them. (We are) aiming to achieve our price target together with wage hikes."

Looking backwards

Heading into last weekend, which seems a long time ago now, the US non-farm payrolls data was in line with expectations, with 236k jobs added although it suggested the US jobs outlook is in the early stages of a slowdown as it was the lowest monthly gain since December 2020. The unemployment rate eased to 3.5% while average hourly earnings increased 0.3%, pushing the 12-month rate to 4.2%, its lowest level since June 2021.

Looking forwards

This week, the spotlight will be on US inflation and retail sales data, followed by the FOMC minutes, industrial production, PPI, and Michigan consumer sentiment. Elsewhere, China will update its inflation and trade data, and the BoC and the Bank of Korea will be deciding on the course of monetary policy. The Euro-zone releases its retail sales

and industrial production numbers, Australia releases its employment data and business confidence, while New Zealand has card spending and migration numbers.

Following on from last week's RBNZ rate hike, the NZD and longer-end NZ interest rates remain under pressure. To some extent, China's posturing around Taiwan contributed to a 'risk-off' environment for the NZD and AUD, while market positioning suggested most long positions have been cut. Also, the subtle suggestion in the RBNZ statement that it may be nearing the end of its tightening cycle has increased the perception 5.50% will likely be the top of the current hiking cycle.

The US Dollar Index was also firmer overnight, trading above 102 and close to its highest level this month, as Friday's payrolls report will have renewed calls for another FOMC 25bps hike in May. International equity markets have started the week mixed, with European bourses posting modest gains although the US inflation expectations release has weighed on US exchanges. Commodity markets were mixed with oil prices down -1.0% although US natural gas prices surged 7.0% amid expectations of stronger demand, while the 10-year US treasury yield has firmed back from last Thursday's 3.30% and is currently at 3.41%.



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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	71.60					CAD	0.8402 0.8972
NZD/USD	0.6217	-0.0001	-0.0004	-0.0012	-0.0044	CHF	0.5654 0.6040
NZD/AUD	0.9363	-0.0013	-0.0040	-0.0085	-0.0174	CNY	4.2685 4.5614
NZD/JPY	83.06	-0.38	-1.17	-2.37	-4.75	DKK	4.2660 4.5563
NZD/EUR	0.5726	-0.0011	-0.0034	-0.0066	-0.0134	FJD	1.3542 1.4463
NZD/GBP	0.5022	-0.0005	-0.0014	-0.0025	-0.0051	HKD	4.8803 5.2123
						KRW	819.52 875.28
AU TWI	60.20					MYR	2.7405 2.9269
AUD/USD	0.6640	0.0007	0.0024	0.0047	0.0076	NOK	6.5449 6.9902
AUD/NZD	1.0675	0.0013	0.0044	0.0094	0.0190	SEK	6.5471 6.9926
AUD/JPY	88.69	-0.30	-0.88	-1.75	-3.50	SGD	0.8287 0.8850
AUD/EUR	0.6114	-0.0005	-0.0011	-0.0016	-0.0030	TWD	18.95 20.24
AUD/GBP	0.5364	0.0002	0.0008	0.0021	0.0045	ZAR	11.49 12.28
USD Index	102.60					EQUITIES	
EUR/USD	1.0857	0.0018	0.0055	0.0097	0.0176		Index
USD/JPY	133.57	-0.59	-1.80	-3.56	-6.87	NZX50	11,870
GBP/USD	1.2378	0.0008	0.0020	0.0038	0.0050	ASX200	7,219
EUR/GBP	0.8772	0.0008	0.0026	0.0050	0.0108	Dow Jones	33,506
						S&P 500	4,103
INTEREST RATES			New Zealand		Australia	FTSE100	7,742
			Mid		Mid	DAX 30	15,598
30 day bank bills			5.36%		3.64%	Nikkei	27,634
90 day bank bills			5.52%		3.69%	COMMODITIES	
1 year swap			5.50%		3.50%		USD
2 year swap			4.93%		3.31%	Brent Crude	84.28
3 year swap			4.53%		3.20%	Gold	1,991.46
5 year swap			4.19%		3.23%	Silver	24.87
10 year swap			4.07%		3.57%	Iron Ore	119.16
3 year Govt bond			4.34%		2.84%	CRB Index	298.64
5 year Govt bond			4.08%		2.92%		NZD
10 year Govt bond			4.00%		3.26%	NZ Carbon	59.25

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