

# Market Alert

Tuesday 16 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6239	-0.0010
NZD/AUD	0.9307	-0.0071
NZD/JPY	84.88	-2.46
NZD/EUR	0.5736	-0.0061
NZD/GBP	0.4979	-0.0020
NZD/CNH	4.3419	-0.0700
AUD/USD	0.6702	0.0040
AUD/EUR	0.6162	-0.0020
EUR/USD	1.0875	0.0098
USD/CNH	6.9600	-0.1013
GBP/USD	1.2530	0.0026
EUR/GBP	0.8677	0.0057

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.61%	3.95%
2 year swap	4.93%	3.67%
10 year Govt	4.14%	3.51%

## The overnight bounce

Overnight, international bourses returned to positive territory after investors sought comfort about a debt ceiling deal following positive negotiations over the weekend. This saw equity markets gain 0.25%-0.75%, while commodity markets had a stellar session, with oil gaining 1.5%, while gas surged 4.6%. Bond markets were steady, with the 2-year US treasury yield flat at 4.00%, while the 10-years firmed 3bps to 3.50%. The AUD and NZD both had strong sessions, rallying 0.75% against the USD.

Total consumer debt in the US surpassed the magical USD17trn mark for the first time, with mortgage, student, and auto loans rising, while credit card balances remained at record highs. However, total

delinquency rates rose to 3.0%, their highest since Q3 2020, with the biggest increases reported for credit cards and auto debt. In its lowest print in 4-months, the NY Empire State manufacturing index unexpectedly collapsed to -31.8 in May, from April's 10.8 (and forecasts at -3.75).

Atlanta Fed President Raphael Bostic pushed back against bets the central bank will cut interest rates this year, cautioning "My baseline case is we won't really be thinking about cutting until well into 2024. If you look at most measures of inflation, they're still two times where our target is. I'm personally inclined to pause but the FOMC is still considering what to do" while the BoE's Pill announced, "I see a risk of inflation getting stuck at 4.0%-5.0%, we need to avoid this. We do recognise that we live in 'challenging times' which are more acute for the most vulnerable parts of society."

In other headlines, the European Commission has revised up its European growth forecasts, lifting their 2023 call from 0.8% to 1.0% while, for 2024, the revised forecast increases from 1.6% to 1.7%. Industrial production in the Eurozone fell -4.1% in March, which was a lot worse than the anticipated -2.5% contraction.

In NZ, one of the major banks has advised, "We now see the economy avoiding recession due to an historic reversal in net migration. The bottom of the housing market seems in, but it will take longer to bring inflation

down. We now see the OCR peaking at 6.0%." Meanwhile, an Infometrics' report suggests that while the NZ economy will definitely slow, it may escape a recession after they projected a "small quarterly increase in economic activity after a weaker end to 2022". They see Q1 growth at 0.1% and an annual growth rate of 2.7%. Finally, NZ services PMI's fell to 49.8 in April, from 53.8.

Fitch confirmed Australia's AAA rating, while we also had another of the 'big 4' Australian banks suggest Australia could see further hikes given, "The key uncertainty for our rate expectations has been the RBA's mixed signals in 2023. It is clear that the near-term balance of risks on inflation remain to the upside. At least one additional rate rise is likely to be necessary to limit the risk this timeline slips any further and we wouldn't rule out the prospect of an additional rise to 4.35% if the data stays stronger for longer."

## Ouch!

The Argentine central bank hiked their benchmark interest rate 600bps to 97%, while Michael Burry, of 'The Big Short' fame, didn't sell his portfolio in Q1, instead he loaded up on US regional banks!



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# Daily Rates

Tuesday 16 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8401	0.9025
NZD/USD	0.6239	-0.0001	-0.0003	-0.0010	-0.0041	CHF	0.5583	0.5999
NZD/AUD	0.9307	-0.0013	-0.0035	-0.0071	-0.0136	CNY	4.3364	4.6582
NZD/JPY	84.88	-0.44	-1.22	-2.46	-4.86	DKK	4.2723	4.5893
NZD/EUR	0.5736	-0.0012	-0.0031	-0.0061	-0.0121	FJD	1.3619	1.4630
NZD/GBP	0.4979	-0.0004	-0.0011	-0.0020	-0.0037	HKD	4.8904	5.2534
						KRW	833.29	895.13
AU TWI	60.70					MYR	2.8044	3.0125
AUD/USD	0.6702	0.0008	0.0021	0.0040	0.0051	NOK	6.6118	7.1025
AUD/NZD	1.0741	0.0013	0.0039	0.0079	0.0146	SEK	6.4521	6.9309
AUD/JPY	91.19	-0.35	-0.97	-1.97	-3.94	SGD	0.8333	0.8952
AUD/EUR	0.6162	-0.0005	-0.0011	-0.0020	-0.0042	TWD	19.22	20.64
AUD/GBP	0.5348	0.0002	0.0009	0.0019	0.0039	ZAR	11.86	12.74
USD Index	102.43					<b>EQUITIES</b>		
EUR/USD	1.0875	0.0021	0.0054	0.0098	0.0159		<b>Index</b>	
USD/JPY	136.05	-0.69	-1.89	-3.75	-6.97	NZX50	11,938	
GBP/USD	1.2530	0.0008	0.0019	0.0026	0.0009	ASX200	7,267	
EUR/GBP	0.8677	0.0010	0.0028	0.0057	0.0118	Dow Jones	33,348	
						S&P 500	4,136	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,778	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,917	
30 day bank bills			5.54%		3.87%	Nikkei	29,626	
90 day bank bills			5.61%		3.95%	<b>COMMODITIES</b>		
1 year swap			5.51%		3.88%		<b>USD</b>	
2 year swap			4.93%		3.67%	Brent Crude	75.39	
3 year swap			4.57%		3.49%	Gold	2,015.68	
5 year swap			4.24%		3.44%	Silver	24.09	
10 year swap			4.15%		3.79%	Iron Ore	105.16	
3 year Govt bond			4.25%		3.16%	CRB Index	289.04	
5 year Govt bond			4.04%		3.18%		<b>NZD</b>	
10 year Govt bond			4.14%		3.51%	NZ Carbon	52.25	

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