

# Market Alert

Tuesday 2 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6163	-0.0007
NZD/AUD	0.9300	-0.0080
NZD/JPY	84.74	-2.44
NZD/EUR	0.5617	-0.0060
NZD/GBP	0.4933	-0.0019
NZD/CNH	4.2537	-0.0678
AUD/USD	0.6628	0.0049
AUD/EUR	0.6039	-0.0013
EUR/USD	1.0971	0.0103
USD/CNH	6.9613	-0.1016
GBP/USD	1.2493	0.0031
EUR/GBP	0.8781	0.0059

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.60%
90 day bills	5.61%	3.72%
2 year swap	5.05%	3.59%
10 year Govt	4.13%	3.44%

## Who said the M&A market is dead?

It's official ... First Republic bank has been acquired by JPMorgan in an emergency government-led intervention. JP will take over the troubled lender's assets, although the bank has agreed to share losses with the FDIC over its deposit insurance scheme. Breaking the numbers down, JPMorgan expects a one-time, post-tax gain of about USD2.6bn, although they will make a USD10.6bn payment to the FDIC and it will cost an estimated USD2.0bn in restructuring costs over the next 18-months.

In an interesting sidenote, and ahead of this week's FED, ECB and RBA meetings, famed economist Mohamed El-Erian announced the JPMorgan/First Republic deal will re-enforce the structural issues

within the US banking system as the concentration of 'too big to fail' banks will become even larger. This will add to doubts about the nature of the de facto deposit insurance system, which will ultimately result in less credit being extended into the wider economy.

Financial markets took the bank news in their stride, largely given the deal was a fait accompli. Equity markets were steady, although renewed bond selling saw the 2-yr and 10-yr US yields firm 7bps and 13bps, to 4.14% and 3.58% respectively, which will see higher NZ and AU swap pricing at the open. Interestingly, there are now 10 US companies that are looking to tap bond markets, with Meta looking at a five-part bond sale.

Commodity markets weakened, with crude and Brent off -1.25% and -1.1%, while the USD Index had a spurt, rallying to just below the 102.00 level. In amongst the noise, the NZD and EUR sold-off, while the AUD made modest gains. The JPY also continues to come under selling pressure, reaching a 2-month low as the investment banks push-out their timing for any adjustment to BoJ policy.

In other US headlines, US ISM manufacturing PMIs rose to 47.1, from 46.3 in March, which was slightly above forecasts at 46.8, while construction spending rose 0.3% in March.

## RBA takes the stage

Ahead of this afternoon's RBA announcement, the Melbourne Institute's monthly CPI gauge for April suggests

headline inflation will increase to 6.1% on the year, while the trimmed mean will increase to 5.5%, which may partially explain the AUD's outperformance overnight. Australian job ads declined by 0.3% in April as "robust labour demand, coupled with strong migration, will continue to support employment growth" which should also support the Australian housing market which saw AMP suggest the house price downturn is over as high immigration and constrained supply outweigh the impact of higher interest rates. AMP is now forecasting property prices will be flat to slightly higher this year, with a 5% rise next year.

In what is rapidly becoming a trend, Japanese manufacturing PMIs remained in contractionary territory at 49.5 even though it was the index's best print in 6-months, while consumer confidence reached its highest level since January 2022, increasing from 33.9 to 35.4.

South Korean exports fell 14% in the year to April, with semiconductor exports collapsing 41%!

Warren Buffett's number two, Charlie Munger, let slip US banks are saddled with bad commercial property loans, adding, "It's not 2008, but there's a lot of agony out there!"



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# Daily Rates

Tuesday 2 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.60					CAD	0.8348	0.8979
NZD/USD	0.6163	-0.0001	-0.0003	-0.0007	-0.0030	CHF	0.5521	0.5940
NZD/AUD	0.9300	-0.0014	-0.0041	-0.0080	-0.0157	CNY	4.2627	4.5861
NZD/JPY	84.74	-0.40	-1.22	-2.44	-4.86	DKK	4.1862	4.5020
NZD/EUR	0.5617	-0.0012	-0.0031	-0.0060	-0.0119	FJD	1.3689	1.4722
NZD/GBP	0.4933	-0.0005	-0.0012	-0.0019	-0.0035	HKD	4.8379	5.2029
						KRW	826.72	889.09
AU TWI	60.20					MYR	2.7475	2.9548
AUD/USD	0.6628	0.0009	0.0026	0.0049	0.0073	NOK	6.6172	7.1164
AUD/NZD	1.0750	0.0015	0.0046	0.0090	0.0166	SEK	6.3670	6.8474
AUD/JPY	91.12	-0.30	-0.92	-1.88	-3.82	SGD	0.8235	0.8856
AUD/EUR	0.6039	-0.0003	-0.0008	-0.0013	-0.0028	TWD	18.99	20.42
AUD/GBP	0.5305	0.0003	0.0010	0.0025	0.0050	ZAR	11.34	12.19
USD Index	102.17					<b>EQUITIES</b>		
EUR/USD	1.0971	0.0021	0.0056	0.0103	0.0177		<b>Index</b>	
USD/JPY	137.48	-0.64	-1.91	-3.80	-7.20	NZX50	12,003	
GBP/USD	1.2493	0.0008	0.0020	0.0031	0.0025	ASX200	7,335	
EUR/GBP	0.8781	0.0009	0.0027	0.0059	0.0123	Dow Jones	34,051	
						S&P 500	4,168	
<b>INTEREST RATES</b>							FTSE100	7,871
			<b>New Zealand</b>		<b>Australia</b>		DAX 30	15,922
			<b>Mid</b>		<b>Mid</b>		Nikkei	29,123
30 day bank bills			5.45%		3.66%	<b>COMMODITIES</b>		
90 day bank bills			5.61%		3.72%		<b>USD</b>	
1 year swap			5.61%		3.72%	Brent Crude	79.43	
2 year swap			5.05%		3.59%	Gold	1,980.18	
3 year swap			4.64%		3.48%	Silver	24.94	
5 year swap			4.27%		3.40%	Iron Ore	103.61	
10 year swap			4.15%		3.73%	CRB Index	293.61	
3 year Govt bond			4.33%		3.04%		<b>NZD</b>	
5 year Govt bond			4.09%		3.11%	NZ Carbon	56.00	
10 year Govt bond			4.13%		3.44%			

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