

Market Alert

Friday 5 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6279	-0.0014
NZD/AUD	0.9384	-0.0079
NZD/JPY	84.23	-2.47
NZD/EUR	0.5701	-0.0065
NZD/GBP	0.4993	-0.0024
NZD/CNH	4.3147	-0.0709
AUD/USD	0.6688	0.0041
AUD/EUR	0.6071	-0.0019
EUR/USD	1.1012	0.0099
USD/CNH	6.9179	-0.0978
GBP/USD	1.2570	0.0028
EUR/GBP	0.8758	0.0056

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.63%	3.92%
2 year swap	5.05%	3.45%
10 year Govt	4.19%	3.39%

ECB enters final stage of its tightening cycle ... maybe!

The ECB followed the Fed in lifting its key refinancing, marginal lending, and deposit facilities by 25bps, to 3.75%, 4.00%, and 3.25% respectively.

While the perception is that the ECB has entered the final stages of its hiking cycle (like most other central banks), President Lagarde warned the central bank has more ground to cover and won't be pausing its hiking cycle anytime soon. In saying that, it was the ECB's smallest hike since it started lifting rates in July last year and, since then, it has hiked rates at every single policy meeting - a total of 375bps of increases. The central bank also announced plans to discontinue the reinvestment of cash from maturing bonds purchased as

part of its Quantitative Easing stimulus measures.

But while the ECB's hike took centre stage in Europe, in the US the focus remains on the regional banks. The latest banks to attract short sellers were PacWest Bancorp, whose shares are now off 75% since March, having announced it is considering its 'strategic options' including a sale, Western Alliance, whose shares plummeted 55% on a report that it's considering the sale of all or part of its businesses, and First Horizon, whose stock plunged after TD scrapped its purchase of the Memphis-based bank. Hedge fund billionaire Bill Ackman tweeted that the US "regional banking system is at risk", while rumours continue to circulate the FDIC is considering lifting the US government guarantee of bank deposits above the current USD250k limit, in a further attempt to halt a deposit run.

Looking at the US data, initial claims rose by 13k, to 242k, last week, the trade deficit narrowed to a 4-month low of USD64.2bn in March, from USD70.6bn in February, while worker productivity declined -2.7% in Q1 as labour costs accelerated 5.8% on the year.

Given the weeks central bank action and the continued banking turmoil, it wasn't surprising to see equity markets under pressure once again, with most bourses -0.50% to -1.0% lower. US yields also come under pressure, with the 2-years falling a further -17bps, to 3.77% (an incredible 39bps lower than the weeks

4.16% high), while the 10-years fell below the 3.40% level. Oil and natural gas prices were also lower.

Ahead of King Charles's coronation ...

The Australian March trade balance surged to AUD15,269, after exports surged 4% while imports gained 2%. Interestingly, the key driver was a 28.5% increase in the value of Australian exports to China, which reached a record monthly high of AUD19bn.

NZ building permits increased 7% in March, against the forecast -0.3% contraction.

The Chinese March Caixin Manufacturing PMI report highlighted the spluttering Chinese re-opening, the Index falling to 49.5, against a forecast 50.3.

The IMF's director of Asia and Pacific, Krishna Srinivasan, announced, "There is uncertainty around the direction of monetary policy in Japan, amid a rise in inflation. Changes in Japan's monetary policy that could lead to further increases in government bond yields could have global spill overs as rebalancing of Japanese investors portfolios could trigger a rise in global yields, causing portfolio outflows for some countries." Markets are already placing bets as to whether the recent change of Governor at the Bank of Japan will mark an end to decades of ultra-loose monetary policy.



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Daily Rates

Friday 5 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8498	0.9056
NZD/USD	0.6279	-0.0001	-0.0004	-0.0014	-0.0050	CHF	0.5561	0.5927
NZD/AUD	0.9384	-0.0012	-0.0038	-0.0079	-0.0158	CNY	4.3414	4.6137
NZD/JPY	84.23	-0.41	-1.26	-2.47	-4.86	DKK	4.2472	4.5238
NZD/EUR	0.5701	-0.0011	-0.0034	-0.0065	-0.0127	FJD	1.3677	1.4568
NZD/GBP	0.4993	-0.0005	-0.0013	-0.0024	-0.0045	HKD	4.9272	5.2481
						KRW	830.85	884.97
AU TWI	60.30					MYR	2.7942	2.9762
AUD/USD	0.6688	0.0008	0.0022	0.0041	0.0053	NOK	6.7124	7.1497
AUD/NZD	1.0653	0.0013	0.0042	0.0087	0.0177	SEK	6.4336	6.8527
AUD/JPY	89.75	-0.33	-0.98	-1.91	-3.73	SGD	0.8337	0.8880
AUD/EUR	0.6071	-0.0004	-0.0012	-0.0019	-0.0033	TWD	19.28	20.54
AUD/GBP	0.5318	0.0001	0.0007	0.0020	0.0043	ZAR	11.49	12.24
USD Index	101.39					EQUITIES		
EUR/USD	1.1012	0.0020	0.0057	0.0099	0.0157		Index	
USD/JPY	134.14	-0.63	-1.91	-3.65	-6.63	NZX50	11,969	
GBP/USD	1.2570	0.0008	0.0022	0.0028	0.0006	ASX200	7,193	
EUR/GBP	0.8758	0.0008	0.0027	0.0056	0.0116	Dow Jones	33,113	
						S&P 500	4,059	
INTEREST RATES			New Zealand		Australia	FTSE100	7,703	
			Mid		Mid	DAX 30	15,734	
30 day bank bills			5.50%		3.87%	Nikkei	29,158	
90 day bank bills			5.63%		3.92%	COMMODITIES		
1 year swap			5.62%		3.72%		USD	
2 year swap			5.05%		3.45%	Brent Crude	72.34	
3 year swap			4.63%		3.31%	Gold	2,049.58	
5 year swap			4.24%		3.38%	Silver	26.04	
10 year swap			4.13%		3.73%	Iron Ore	105.48	
3 year Govt bond			4.38%		3.01%	CRB Index	283.25	
5 year Govt bond			4.13%		3.05%		NZD	
10 year Govt bond			4.19%		3.39%	NZ Carbon	54.75	

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