

# Market Alert

Thursday 22 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6207	-0.0006
NZD/AUD	0.9131	-0.0052
NZD/JPY	88.03	-2.64
NZD/EUR	0.5650	-0.0057
NZD/GBP	0.4859	-0.0006
NZD/CNH	4.4548	-0.0708
AUD/USD	0.6797	0.0032
AUD/EUR	0.6186	-0.0028
EUR/USD	1.0983	0.0098
USD/CNH	7.1772	-0.1077
GBP/USD	1.2774	0.0001
EUR/GBP	0.8597	0.0075

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.33%
2 year swap	5.38%	4.35%
10 year Govt	4.53%	4.05%

## More US hikes to come?

Speaking at his semi-annual appearance to update lawmakers on monetary policy, Fed Chair, Jerome Powell, reiterated, "Nearly all FOMC participants expect that it will be appropriate to raise interest rates somewhat further by the end of the year. Inflation has moderated somewhat since the middle of last year, nonetheless, inflation pressures continue to run high, and the process of getting inflation back down to 2% has a long way to go. We have been seeing the effects of our policy tightening on demand in most interest rate-sensitive sectors of the economy, however, it will take time for the full effects of monetary restraint to be realised, especially on inflation." In amongst the detail, there was the caveat that the timing of rate hikes will be decided on a meeting-by-meeting basis,

adding it makes sense to move rates at a more moderate pace given, "Earlier in the process, speed was very important, but it is not very important now."

Atlanta Fed President, Raphael Bostic, then stated, "Pressing ahead now with additional rate increases could 'needlessly drain' momentum from the economy. Policy hasn't been restrictive long enough for effects to hit, so it's prudent to wait. Risk of waiting is that inflation rebounds, but that's not my baseline'. Some further slowing of labour market may be necessary for inflation to return to 2%. Bank contagion hasn't materialised."

Fed colleague, Austan Goolsbee, then added, "last week's decision was a close call for me. I'm trying to figure out if we have done enough, and how much more needs to be done."

While there was an acknowledgment that there is the potential for further rate hikes, the US-dollar index sold-off to reach a 2-month low after Chair Powell's testimony stated the timing of rate moves will be decided at each meeting and that "given how far we've come, it may make sense to move rates higher but to do so at a more moderate pace." This saw the NZD and EUR rally strongly, although the AUD underperformed given the release of the previous day's RBA minutes, which saw NZD/AUD pop back above the 0.9100 level. Equity markets were also weaker after investors took a breather from last week's rally. Commodities were mildly positive while bond yields were steady.

## From the rest of the globe

In the UK, inflation was flat at 8.7% in May, although it was above market expectations at 8.4% and significantly higher than the BoE's 2.0% target, which essentially 'locks-in' a BoE rate hike tonight with the question, is it 25bp or 50bp!

The ECB can only pause interest rate hikes at its September meeting if it's certain that core inflation is under control. Governing Council member Peter Kazimir stated, before adding "If the pace of underlying price increases persists, there will be further tightening."

The minutes from the last BoJ meeting showed Governor, Kazuo Ueda, emphasise the central bank will persist with its easy monetary policies with price gains slowing toward the middle of this fiscal year. One colleague suggested it may worth revising its conduct regarding yield-curve control but noted it's appropriate to "wait and see."

The winning bid for a lunch with famed Bridgewater Associates founder and billionaire investor, Ray Dalio, sold for USD115,000... not quite in Warren Buffett territory but pretty impressive nevertheless.



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# Daily Rates

Thursday 22 June 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.20					CAD	0.8171	0.8948
NZD/USD	0.6207	-0.0001	-0.0003	-0.0006	-0.0017	CHF	0.5542	0.6070
NZD/AUD	0.9131	-0.0010	-0.0028	-0.0052	-0.0093	CNY	4.4539	4.8773
NZD/JPY	88.03	-0.43	-1.32	-2.64	-5.19	DKK	4.2087	4.6088
NZD/EUR	0.5650	-0.0010	-0.0030	-0.0057	-0.0114	FJD	1.3514	1.4799
NZD/GBP	0.4859	-0.0003	-0.0007	-0.0006	-0.0001	HKD	4.8587	5.3205
						KRW	800.14	876.20
AU TWI	62.60					MYR	2.8819	3.1558
AUD/USD	0.6797	0.0006	0.0017	0.0032	0.0045	NOK	6.6098	7.2381
AUD/NZD	1.0948	0.0011	0.0033	0.0060	0.0100	SEK	6.6107	7.2391
AUD/JPY	96.40	-0.37	-1.16	-2.38	-4.76	SGD	0.8318	0.9109
AUD/EUR	0.6186	-0.0004	-0.0014	-0.0028	-0.0063	TWD	19.19	21.01
AUD/GBP	0.5321	0.0003	0.0009	0.0023	0.0052	ZAR	11.37	12.45
USD Index	102.07					<b>EQUITIES</b>		
EUR/USD	1.0983	0.0017	0.0052	0.0098	0.0187		<b>Index</b>	
USD/JPY	141.80	-0.67	-2.06	-4.10	-7.99	NZX50	11,776	
GBP/USD	1.2774	0.0004	0.0008	0.0001	-0.0039	ASX200	7,315	
EUR/GBP	0.8597	0.0010	0.0033	0.0075	0.0169	Dow Jones	33,982	
						S&P 500	4,369	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,559	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,023	
30 day bank bills			5.63%		4.15%	Nikkei	33,575	
90 day bank bills			5.71%		4.33%	<b>COMMODITIES</b>		
1 year swap			5.76%		4.51%		<b>USD</b>	
2 year swap			5.38%		4.35%	Brent Crude	77.12	
3 year swap			5.00%		4.18%	Gold	1,933.78	
5 year swap			4.60%		4.09%	Silver	22.68	
10 year swap			4.44%		4.24%	Iron Ore	113.08	
3 year Govt bond			4.73%		3.98%	CRB Index	300.59	
5 year Govt bond			4.52%		3.92%		<b>NZD</b>	
10 year Govt bond			4.53%		4.05%	NZ Carbon	51.25	

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