

# Market Alert

Wednesday 9 February 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6644	-0.0025
NZD/AUD	0.9306	-0.0053
NZD/JPY	76.74	-0.60
NZD/EUR	0.5817	-0.0056
NZD/GBP	0.4902	-0.0011
NZD/CNH	4.2306	0.0257
AUD/USD	0.7140	0.0014
AUD/EUR	0.6251	-0.0025
EUR/USD	1.1423	0.0068
USD/CNH	6.3681	0.0626
GBP/USD	1.3554	-0.0021
EUR/GBP	0.8428	0.0064

  

INT RATES	NZ	Australia
OCR/Cash	0.75%	0.10%
90 day bills	1.18%	0.07%
2 year swap	2.52%	1.36%
10 year Govt	2.71%	2.12%

## Surely the cost of caviar isn't going up again!

Most of the data overnight, and as a generalisation for the week, was second tier. Perhaps the most interesting data release overnight was the (and this is a bit of a mouthful) *IHS Markit Global Food Producer PMI Prices Charged Index*. The index rose to an 11-year high of 63.6 in January, up from 62.5 in December, as supply shortages pushed up producers' costs.

Essentially, any index reading above 50 signals a rise in prices compared to the prior month, meaning the index suggest that food price inflation remains well entrenched.

In the US, the 2021 trade deficit on both goods and services rose 27% to hit USD859 billion to hit an all-time record driven by a continuous desire for imported goods, which surged 20.5%, or USD576.5 billion. Against this, exports grew by 18.5% to USD394.1 billion.

If this wasn't bad enough, Americans became even more pessimistic in their view of the US economy following the ending of the monthly childcare tax credits, with the IBD/TIPP economic optimism index falling to 44 in February from 44.7 in January for the index's seventh straight month of contraction. This sense of pessimism was further emphasised by the NFIB small business optimism index, which fell to an 11 month low of 97.1 in January as labour shortages and high prices weighed. Finally, there was positive after the Atlanta Fed GDP forecast increased to 0.7% from 0.1% previously.

In the Eurozone, following on from Christine Lagarde's and Klass Knot's comments, François Villeroy, ECB Governing Council member, gave his 5 Euro's worth stating, *"I guarantee we will do what is needed for inflation to return to around 2% over time. The inflation hump should be temporary,"* although he then added, *"The market's reaction to the ECB may have been too strong!"*

One of the local banks, commenting on the potential for RBA rate hikes this year, has stated that, *"every meeting from June is live"* for a potential rate hike. This aligns with the thoughts of ex-RBA member,

John Edwards, who suggested the RBA could hike 4 times later this year, beginning in August. But if you think that is excessive, BOAM is calling for the Federal Reserve to hike US rates 7 times this year with a further 4 hikes to follow in 2023!

Overnight, equity markets had a quiet session with most exchanges up between 0.25%-1.0%. Currency markets were also steady, with the NZD and AUD flat, although the EUR eased back a touch, while commodity prices were mixed with crude easing back below the USD90 barrel level. Which means, once again, the action was focused on the bond markets with yields, once again, grinding higher with the T-bond at 1.95% and the bund at 0.26%.

## Never trust a rumour

We always try to refrain from printing rumours, but word on the street is that Sri Lanka is on the brink of a sovereign bond default.

Finally, in south-east Asia news, the US has approved the sale of a USD100 million Patriot missile defense system to Taiwan while Beijing has warned Hong Kong against abandoning its Covid zero-policy ... so expect Hong to announce it has no Omicron cases next month.



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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	71.32					CAD	0.8437	0.9067
NZD/USD	0.6644	-0.0003	-0.0011	-0.0025	-0.0062	CHF	0.6142	0.6600
NZD/AUD	0.9306	-0.0005	-0.0022	-0.0053	-0.0113	CNY	4.2297	4.5453
NZD/JPY	76.74	-0.05	-0.23	-0.60	-1.66	DKK	4.3291	4.6521
NZD/EUR	0.5817	-0.0006	-0.0023	-0.0056	-0.0138	FJD	1.4214	1.5275
NZD/GBP	0.4902	-0.0001	-0.0005	-0.0011	-0.0031	HKD	5.1782	5.5646
						KRW	795.86	855.26
AU TWI	60.00					MYR	2.7813	2.9888
AUD/USD	0.7140	0.0001	0.0005	0.0014	0.0020	NOK	5.8600	6.2973
AUD/NZD	1.0746	0.0006	0.0026	0.0062	0.0133	SEK	6.0738	6.5271
AUD/JPY	82.48	-0.01	-0.06	-0.18	-0.79	SGD	0.8935	0.9602
AUD/EUR	0.6251	-0.0003	-0.0010	-0.0025	-0.0073	TWD	18.49	19.87
AUD/GBP	0.5268	0.0002	0.0007	0.0019	0.0031	ZAR	10.2048	10.9664
USD Index	95.61					<b>EQUITIES</b>		
EUR/USD	1.1423	0.0006	0.0027	0.0068	0.0168		<b>Index</b>	
USD/JPY	115.52	-0.03	-0.16	-0.48	-1.44	NZX50	12,319	
GBP/USD	1.3554	-0.0003	-0.0009	-0.0021	-0.0040	ASX200	7,187	
EUR/GBP	0.8428	0.0007	0.0026	0.0064	0.0149	Dow Jones	35,448	
						S&P 500	4,513	
						FTSE100	7,567	
						DAX 30	15,242	
						Nikkei	27,285	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>		<b>USD</b>	
30 day bank bills		0.99%	0.96%	0.02%	0.02%	Dubai Light	93.24	
90 day bank bills		1.21%	1.18%	0.09%	0.05%	Brent Crude	91.19	
FRA 90d in 3mths		1.83%	1.81%	0.36%	0.33%	Gold	1,828.21	
FRA 180d in 6mths		2.55%	2.52%	1.13%	1.11%	Silver	23.24	
1 year swap		2.05%	2.03%	0.64%	0.63%	CRB Index	276.94	
2 year swap		2.53%	2.51%	1.37%	1.34%		<b>NZD</b>	
3 year swap		2.73%	2.71%	1.77%	1.75%	NZ Carbon	78.30	
5 year swap		2.88%	2.86%	2.07%	2.06%			
10 year swap		2.95%	2.93%	2.41%	2.38%			
10 year Govt bond			2.69%		2.12%			

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