

Market Alert

Tuesday 10 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6332	-0.0020
NZD/AUD	0.9101	-0.0039
NZD/JPY	82.47	-1.12
NZD/EUR	0.5995	-0.0084
NZD/GBP	0.5133	-0.0026
NZD/CNH	4.2779	0.0047
AUD/USD	0.6957	0.0008
AUD/EUR	0.6586	-0.0065
EUR/USD	1.0561	0.0117
USD/CNH	6.7568	0.0288
GBP/USD	1.2335	0.0023
EUR/GBP	0.8562	0.0079

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.14%	0.92%
2 year swap	3.89%	3.05%
10 year Govt	3.80%	3.55%

"We're doomed, doomed I tell you!"

Thank you for that, Private Frazer!

There was little in the way of newsworthy headlines overnight, with the only release of note being the New York Fed's release of its consumer inflation expectations. The 1-year expectation easing back to 6.3% in April from March's record 6.6% high, but with the actual CPI release due on Thursday was largely ignored. We even had the Atlanta Fed GDPNow Q2 forecast cut to 1.8% from 2.2% which didn't help sentiment either!

This meant it was left to a couple of Fed speakers to generate some positivity, but that didn't work either, after Minneapolis Fed President, Neel Kashkari, announced that while "I'm confident we are going to get inflation back down to our 2.0% target." He admitted he underestimated how persistent price increases would be while the forecast rate hikes would largely hurt low income people. Meanwhile, his Fed colleague, Raphael Bostic, announced he sees 2-3 50bps hikes as his base case scenario, given that "Business leaders are grappling with uncertainty, but (are) seeing strong demand. Businesses are worried that prices will get so high people will stop buying (although), so far, they have been able to pass through pricing gains." Well, so long as business leaders are still able to protect their margin, everything will be fine, I suppose!

With little inspiration, equity markets came under pressure once again amid the usual concerns. Namely, the Federal Reserve's ability to tame decade-high inflation without throwing the economy into a recession, as supply chain disruptions continue to impact via the Ukrainian conflict and China's COVID-19 lockdowns.

US and European bourses are currently off between 1.5% and 4.0%, while the US Treasury yield curve steepened with the 5-year verse 30-year spread hitting its widest mark in over six weeks as outright

levels compressed with the 10-year yield off 10 pips to 3.03%. Our old favourite bitcoin is currently off 8.5% while oil fell 6.00% to the low USD100 per barrel.

Interestingly, the US dollar index will end the session relatively stable, although it traded within a wide range. Within this context, the AUD, and the NZD with it, were hit particularly hard on Chinese growth concerns. The AUD broke through the 0.7000 level against the US dollar and is currently off 1.60% at 0.6955, while the NZD is 1.15% weaker at 0.6330. Both of these currencies were also hit hard at the crosses, especially against the EUR and the GBP.

Adding to the sense of pessimism

Fonterra revised down its 2021/22 forecast Farmgate milk mid-point price by 0.30 cents with a new NZD9.10-NZD9.50 per kgMS range as "we expect global demand and supply to be more balanced over the rest of the year (and) we have seen these short-term impacts flow through into pricing on the Global Dairy Trade (GDT) platform. For example, average prices for whole milk powder (WMP), have decreased by 18% over the past four GDT events. At a midpoint of \$9.30 per kgMS, this would continue to be the highest forecast Farmgate Milk Price in the Co-op's history and would see us contribute almost \$14 billion into New Zealand's economy."



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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	71.39					CAD	0.8232	0.9045
NZD/USD	0.6332	-0.0003	-0.0008	-0.0020	-0.0046	CHF	0.6286	0.6907
NZD/AUD	0.9101	-0.0009	-0.0023	-0.0039	-0.0054	CNY	4.2581	4.6797
NZD/JPY	82.47	-0.12	-0.44	-1.12	-2.75	DKK	4.4581	4.8983
NZD/EUR	0.5995	-0.0010	-0.0035	-0.0084	-0.0183	FJD	1.3822	1.5177
NZD/GBP	0.5133	-0.0002	-0.0009	-0.0026	-0.0067	HKD	4.9697	5.4610
						KRW	807.89	887.68
AU TWI	62.40					MYR	2.7731	3.0470
AUD/USD	0.6957	0.0004	0.0009	0.0008	-0.0009	NOK	6.1244	6.7294
AUD/NZD	1.0988	0.0010	0.0028	0.0048	0.0066	SEK	6.3880	7.0188
AUD/JPY	90.61	-0.05	-0.25	-0.85	-2.49	SGD	0.8806	0.9674
AUD/EUR	0.6586	-0.0006	-0.0023	-0.0065	-0.0163	TWD	18.57	20.40
AUD/GBP	0.5639	0.0004	0.0005	-0.0003	-0.0039	ZAR	10.27	11.29
USD Index	103.73					EQUITIES		
EUR/USD	1.0561	0.0014	0.0051	0.0117	0.0255		Index	
USD/JPY	130.25	-0.13	-0.53	-1.36	-3.46	NZX50	11,382	
GBP/USD	1.2335	0.0000	0.0006	0.0023	0.0072	ASX200	7,121	
EUR/GBP	0.8562	0.0012	0.0037	0.0079	0.0157	Dow Jones	32,899	
						S&P 500	3,976	
						FTSE100	7,217	
						DAX 30	13,381	
						Nikkei	26,319	
INTEREST RATES		New Zealand	Australia			COMMODITIES		
		Mid	Mid				USD	
30 day bank bills		1.79%	0.28%			Brent Crude	105.24	
90 day bank bills		2.14%	0.92%			Gold	1,853.86	
1 year swap		3.41%	2.44%			Silver	21.74	
2 year swap		3.89%	3.05%			Iron Ore	136.00	
3 year swap		4.02%	3.24%			CRB Index	331.46	
5 year swap		4.06%	3.53%				NZD	
10 year swap		4.13%	3.80%			NZ Carbon	76.47	
3 year Govt bond		3.56%	3.04%					
5 year Govt bond		3.67%	3.25%					
10 year Govt bond		3.83%	3.55%					

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