

Market Alert

Wednesday 11 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6287	-0.0019
NZD/AUD	0.9065	-0.0043
NZD/JPY	81.98	-1.09
NZD/EUR	0.5970	-0.0084
NZD/GBP	0.5107	-0.0026
NZD/CNH	4.2425	0.0013
AUD/USD	0.6935	0.0011
AUD/EUR	0.6585	-0.0062
EUR/USD	1.0531	0.0118
USD/CNH	6.7485	0.0226
GBP/USD	1.2309	0.0025
EUR/GBP	0.8555	0.0078

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.15%	0.94%
2 year swap	3.83%	3.04%
10 year Govt	3.77%	3.56%

Welcome to the new world

The NZD/USD starts the day below 0.6300 and the AUD/USD is consolidating below 0.7000. While the antipodean currencies remain under pressure, the US index is closing in on a new high.

Economic data overnight further highlights the growing growth pressures. The US economic index fell to 41.2 in May, which was barely above March's 8-year low of 41, while the 6 month outlook tumbled to its lowest level since August 2011. German sentiment was slightly less pessimistic, after the ZEW sentiment index increased to -34.3 in May, from

April's 2-year low of -41. The current conditions index fell further, to reach its lowest level in a year.

In other releases, New Zealand retail card sales jumped 7.0% in April following March's -1.3% contraction, and ANZ's monthly Truckometer index showed heavy traffic movements increased 2.3% in April, suggesting an increase in economic growth appears likely in Q2.

Meanwhile, the Australian April business confidence index plummeted, although Australian business conditions increased – perhaps helped by a 1.2% rise in Q1 retail sales.

Policymakers talk tough on inflation

While the economic data was second tier, we had a couple of Fed members adding that 75bp hikes weren't completely off the table, with Cleveland President, Loretta Mester, stating, "After half point increases in June and July, the Fed will have to see what more is needed based on the data. We don't rule out 75 forever. When we get to that point in H2 22, if we don't have inflation moving down, we may have to speed up."

That was echoed by New York member John Williams who, referencing the unwinding of the Fed's bond purchase programme, added "We are actually removing accommodation pretty quickly through that channel. And that gives us a

little space to move in something like 50bp increments at the next couple of meetings. As we watch the data over the remainder of the year, we're going to have to adjust course and take the policy actions that are appropriate."

Finally, Richmond President, Thomas Barkin, finished with, "At 83 basis points, we are still far from the level of interest rates that constrains the economy. Once we get in the range of the neutral rate, we can then determine whether inflation remains at a level that requires us to put the brakes on the economy or not."

We also had ECB member, Joachim Nagel, announce that "As inflation in the euro area continues to run high, we need to act." He then added he sees net bond purchases being halted at the end of June, adding "I will advocate a first step to normalizing ECB interest rates in July" as "delaying a monetary-policy turnaround is a risky strategy. The more inflationary pressures spread, the greater the need for a very strong and abrupt interest rate hike."

After the carnage of last week, global equities took a 'pause' ahead of tonight's US CPI and PPI prints, with most exchanges recovering 1%-2%. There was also further positive news as oil sold down to the USD100 level, while the 10-year Treasury yield eased back below the 3.00% level.



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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	70.89					CAD	0.8193	0.9038
NZD/USD	0.6287	-0.0003	-0.0008	-0.0019	-0.0041	CHF	0.6261	0.6906
NZD/AUD	0.9065	-0.0009	-0.0025	-0.0043	-0.0055	CNY	4.2320	4.6684
NZD/JPY	81.98	-0.12	-0.44	-1.09	-2.69	DKK	4.4406	4.8985
NZD/EUR	0.5970	-0.0011	-0.0036	-0.0084	-0.0182	FJD	1.3757	1.5168
NZD/GBP	0.5107	-0.0002	-0.0009	-0.0026	-0.0066	HKD	4.9350	5.4439
						KRW	802.07	884.73
AU TWI	62.00					MYR	2.7610	3.0465
AUD/USD	0.6935	0.0003	0.0010	0.0011	-0.0005	NOK	6.1211	6.7522
AUD/NZD	1.1031	0.0011	0.0030	0.0052	0.0067	SEK	6.3320	6.9850
AUD/JPY	90.43	-0.05	-0.24	-0.81	-2.48	SGD	0.8748	0.9650
AUD/EUR	0.6585	-0.0006	-0.0022	-0.0062	-0.0162	TWD	18.67	20.60
AUD/GBP	0.5634	0.0003	0.0005	-0.0002	-0.0040	ZAR	10.14	11.18
USD Index	103.96					EQUITIES		
EUR/USD	1.0531	0.0014	0.0051	0.0118	0.0261		Index	
USD/JPY	130.40	-0.13	-0.53	-1.38	-3.51	NZX50	11,229	
GBP/USD	1.2309	0.0000	0.0007	0.0025	0.0079	ASX200	7,051	
EUR/GBP	0.8555	0.0012	0.0037	0.0078	0.0156	Dow Jones	32,246	
						S&P 500	4,000	
						FTSE100	7,243	
						DAX 30	13,535	
						Nikkei	26,167	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		1.80%		0.31%		Brent Crude	102.36	
90 day bank bills		2.15%		0.94%		Gold	1,839.25	
1 year swap		3.34%		2.43%		Silver	21.31	
2 year swap		3.83%		3.04%		Iron Ore	128.00	
3 year swap		3.98%		3.24%		CRB Index	318.85	
5 year swap		4.03%		3.56%			NZD	
10 year swap		4.11%		3.79%		NZ Carbon	76.45	
3 year Govt bond		3.52%		3.00%				
5 year Govt bond		3.63%		3.22%				
10 year Govt bond		3.80%		3.56%				

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