

Market Alert

Friday 13 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6232	-0.0014
NZD/AUD	0.9094	-0.0039
NZD/JPY	80.01	-1.03
NZD/EUR	0.6008	-0.0081
NZD/GBP	0.5112	-0.0023
NZD/CNH	4.2545	0.0065
AUD/USD	0.6853	0.0014
AUD/EUR	0.6606	-0.0060
EUR/USD	1.0373	0.0117
USD/CNH	6.8267	0.0263
GBP/USD	1.2191	0.0027
EUR/GBP	0.8509	0.0078

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.13%	1.22%
2 year swap	3.64%	2.87%
10 year Govt	3.67%	3.42%

"It's not the bursting of a bubble ...

... it's an asset re-valuation." Well, that sure makes me feel better about my equity portfolio!

Inflation remains the 'buzz' word in the US after April PPI prices gained 11.0% on the year and 0.5% last month, slightly lower than March's 11.5%, reflecting the similar dip in Wednesday's CPI release. Core wholesale inflation, excluding food and energy prices, moved up 0.6% after increasing 0.9% in March, and 6.9% on the year, with the key drivers being process

goods which rose 2.2%, energy prices at 1.7%, and food, which increased 1.5%. We also had the weekly initial claims release, which showed that the number of Americans claiming unemployment benefits increased by 1,000 to 203,000, which was above market forecasts of 195,000. Continuing claims came in below expectations at 1,343,000.

We also had Federal Reserve member and unofficial Powell 'spokesperson,' Mary Daly, on the newswires stating, *"The recent CPI data wasn't especially surprising. Going up in 50 bps increments makes quite a bit of sense. The debate between 50 or 75 bps is not a primary concern. We want to reach a neutral rate of 2.5% by end of year."*

UK GDP grew at 0.8% in Q1 2022, easing back from Q4's 1.3% expansion and falling below market forecasts of 1.0%, but intriguingly, almost all of this growth came in January and since then, things have stagnated with output slipping 0.1% in March and it's highly likely growth will turn negative in Q2.

The Reserve Bank of New Zealand's inflation expectations rose even further in Q2, implying the central bank will keep raising interest rates aggressively after the 2 year forecast rose to a fresh 31-year high at 3.29% from Q1's 3.27% while the 5-year expectation rose to 2.42% from 2.3%.

In China, one of the country's top statistics officials announced the COVID-19

outbreak has come as a *"huge shock"* to the economy although *"the economy is expected to reach an inflection point of recovery."*

War, what is it good for?

The Russian ruble has become the best performing currency of 2022 after gaining more than 11.0% against the US dollar! The strong performance is a result of a series of measures taken by the government to defend the battered currency in the aftermath of western sanctions with the Russian government forcing exporters to sell foreign exchange and demanding natural gas purchases be paid for in roubles.

Global shipping container freight rates fell again, extending its 11 straight weeks of declines, taking them down 26% since the September 2021 peak

In another night of equity carnage, international bourses eased a further -1.0% to -2.0%, with the Dow falling more than 500 points for its sixth consecutive session while the S&P500 is now almost 20% below its peak! The US 10-year yield eased a further 5 basis points to 2.86%, while commodities were quiet. The USD-index had another good session after the EUR/USD broke below the 1.0500 handle, while the NZD/USD and AUD/USD eased -1.0% and -1.25% respectively. Even Bitcoin has been under the pump, falling below the USD26,000 level for the first time since December 2020.



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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	70.79					CAD	0.8133	0.8944
NZD/USD	0.6232	-0.0003	-0.0007	-0.0014	-0.0028	CHF	0.6256	0.6879
NZD/AUD	0.9094	-0.0008	-0.0023	-0.0039	-0.0043	CNY	4.2296	4.6471
NZD/JPY	80.01	-0.11	-0.43	-1.03	-2.46	DKK	4.4702	4.9156
NZD/EUR	0.6008	-0.0010	-0.0036	-0.0081	-0.0175	FJD	1.3787	1.5157
NZD/GBP	0.5112	-0.0002	-0.0009	-0.0023	-0.0056	HKD	4.8921	5.3796
						KRW	804.54	884.72
AU TWI	61.50					MYR	2.7328	3.0022
AUD/USD	0.6853	0.0003	0.0010	0.0014	0.0003	NOK	6.1593	6.7733
AUD/NZD	1.0997	0.0010	0.0028	0.0047	0.0053	SEK	6.3336	6.9658
AUD/JPY	87.98	-0.05	-0.24	-0.76	-2.36	SGD	0.8713	0.9581
AUD/EUR	0.6606	-0.0006	-0.0023	-0.0060	-0.0163	TWD	18.63	20.49
AUD/GBP	0.5622	0.0002	0.0004	-0.0001	-0.0034	ZAR	10.03	11.03
USD Index	104.85					EQUITIES		
EUR/USD	1.0373	0.0014	0.0052	0.0117	0.0264		Index	
USD/JPY	128.38	-0.13	-0.55	-1.38	-3.48	NZX50	11,177	
GBP/USD	1.2191	0.0000	0.0008	0.0027	0.0080	ASX200	6,941	
EUR/GBP	0.8509	0.0011	0.0037	0.0078	0.0160	Dow Jones	31,834	
						S&P 500	3,900	
INTEREST RATES		New Zealand		Australia		FTSE100	7,233	
		Mid		Mid		DAX 30	13,740	
30 day bank bills		1.80%		1.76%		Nikkei	25,749	
90 day bank bills		2.13%		1.22%		COMMODITIES		
1 year swap		3.17%		2.34%			USD	
2 year swap		3.64%		2.87%		Brent Crude	108.05	
3 year swap		3.79%		3.06%		Gold	1,824.57	
5 year swap		3.86%		3.37%		Silver	20.76	
10 year swap		3.96%		3.63%		Iron Ore	127.00	
3 year Govt bond		3.40%		2.89%		CRB Index	324.65	
5 year Govt bond		3.52%		3.10%			NZD	
10 year Govt bond		3.70%		3.42%		NZ Carbon	76.40	

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