

Market Alert

Friday 20 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6392	-0.0015
NZD/AUD	0.9060	-0.0039
NZD/JPY	81.63	-1.10
NZD/EUR	0.6036	-0.0079
NZD/GBP	0.5116	-0.0021
NZD/CNH	4.2977	0.0051
AUD/USD	0.7055	0.0014
AUD/EUR	0.6662	-0.0059
EUR/USD	1.0589	0.0116
USD/CNH	6.7238	0.0233
GBP/USD	1.2494	0.0024
EUR/GBP	0.8476	0.0077

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.14%	1.08%
2 year swap	3.56%	2.89%
10 year Govt	3.58%	3.37%

“Mr Speaker...”

New Zealand Finance Minister Grant Robinson announced the Labour party's 2022/2023 budget yesterday with the usual pomp and process and plethora of “Mr Speaker's”! But there was a bit in there for households grappling with the cost of living and a few billion for health. With an additional NZD6 billion of new spending, the interest rate market got a bit excited with the thought of all that extra borrowing the government will have to do, pushing swap rates up 2-8 points across the curve. The NZD followed swap rates to break into the 0.6400 level, but this coincided with general USD weakness, so the actual effect was lost in the noise as both the

NZD/USD and AUD/USD strengthened 50 odd points in the Asian session.

The NZ 2022 budget forecasts inflation to remain high, only returning to the RBNZ's 1.0-3.0% target range in 2024. Unemployment will hit a record low 3.0% with expectations to reach 4.8% by Q2 2025. The government said it will increase borrowing by NZD26 billion over four years to NZD90 billion, however debt to GDP will remain low relative to other wealthy nations. It has forecast Net Debt to decline to 31.9% of GDP by June 2026 peaking at 41.2% of GDP in the June 2024 financial year. The government expects GDP to grow at an average of 2.1% for the next four years. The government has forecast it will balance its books by FY 2025 following a big deficit in the June 2022 year to the tune of NZD19 billion, falling to NZD6 billion next year.

The headlines however, were about the NZD350 to be given to 2.1 million adults earning under NZD70k per year to help with the increasing cost of living, which will cost NZD1.05 billion. All in all, no real surprises, but of course the opposition opposed it, calling it a “backwards budget”, but public debt certainly isn't going backwards just yet!

Elsewhere in the World..

Australia's latest wage data increased at an annual rate of 2.4%, up 2.3% on the previous quarter. Strong wage increases across the private sector were the

main driver of growth over the quarter, increasing 0.7% for the March quarter and 2.4% annually. Tight labour market conditions, and therefore a need to retain and hire new staff are both contributing factors which resulted in this being the highest annual rate increase since December 2018.

On the less exciting front, public sector wages grew 0.6% for March quarter 2022 and 2.2% on an annualised basis.

Initial jobless claims in America increased by 21,000 to 218,00 slightly above expectations of 200,000. This is the highest reading since the week ending January 22nd, 2022.

Equity markets continue to stumble as the Dow Jones and the S&P 500 remain in negative territory. Growing concerns about an aggressive tightening to rein in decade-high inflation and the economic slowdown continued to grip Wall Street. Meanwhile, Nasdaq went back and forth between green and red territory as investors attempted to take advantage of lower valuations for tech stocks.



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Daily Rates

Friday 20 May 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.88					CAD	0.8188	0.9038
NZD/USD	0.6392	-0.0004	-0.0008	-0.0015	-0.0024	CHF	0.6211	0.6855
NZD/AUD	0.9060	-0.0010	-0.0024	-0.0039	-0.0044	CNY	4.2898	4.7342
NZD/JPY	81.63	-0.13	-0.46	-1.10	-2.54	DKK	4.4925	4.9586
NZD/EUR	0.6036	-0.0012	-0.0037	-0.0079	-0.0163	FJD	1.3850	1.5283
NZD/GBP	0.5116	-0.0003	-0.0009	-0.0021	-0.0049	HKD	5.0160	5.5367
						KRW	807.43	891.21
AU TWI	62.40					MYR	2.8190	3.1109
AUD/USD	0.7055	0.0003	0.0010	0.0014	0.0268	NOK	6.1898	6.8315
AUD/NZD	1.1038	0.0012	0.0029	0.0048	0.0054	SEK	6.3386	6.9962
AUD/JPY	90.10	-0.05	-0.27	-0.82	-2.43	SGD	0.8823	0.9739
AUD/EUR	0.6662	-0.0006	-0.0024	-0.0059	-0.0149	TWD	18.99	20.96
AUD/GBP	0.5647	0.0002	0.0004	0.0001	0.0180	ZAR	10.12	11.17
USD Index	102.85					EQUITIES		
EUR/USD	1.0589	0.0014	0.0053	0.0116	0.0255		Index	
USD/JPY	127.72	-0.13	-0.55	-1.42	-3.59	NZX50	11,207	
GBP/USD	1.2494	0.0000	0.0007	0.0024	0.0075	ASX200	7,064	
EUR/GBP	0.8476	0.0011	0.0037	0.0077	0.0152	Dow Jones	31,490	
						S&P 500	3,900	
INTEREST RATES		New Zealand		Australia		FTSE100	7,303	
		Mid		Mid		DAX 30	13,882	
30 day bank bills		1.76%		0.43%		Nikkei	26,403	
90 day bank bills		2.14%		1.08%		COMMODITIES		
1 year swap		3.13%		2.37%			USD	
2 year swap		3.56%		2.89%		Brent Crude	111.35	
3 year swap		3.66%		3.08%		Gold	1,843.03	
5 year swap		3.68%		3.37%		Silver	21.96	
10 year swap		3.79%		3.58%		Iron Ore	123.00	
3 year Govt bond		3.32%		2.85%		CRB Index	329.48	
5 year Govt bond		3.42%		3.05%			NZD	
10 year Govt bond		3.63%		3.37%		NZ Carbon	76.47	

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