

# Market Alert

Tuesday 31 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6558	-0.0024
NZD/AUD	0.9112	-0.0049
NZD/JPY	83.63	-1.22
NZD/EUR	0.6084	-0.0087
NZD/GBP	0.5182	-0.0029
NZD/CNH	4.3740	-0.0040
AUD/USD	0.7197	0.0014
AUD/EUR	0.6675	-0.0061
EUR/USD	1.0780	0.0117
USD/CNH	6.6697	0.0183
GBP/USD	1.2657	0.0023
EUR/GBP	0.8517	0.0077

  

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.35%
90 day bills	2.30%	1.13%
2 year swap	3.86%	2.93%
10 year Govt	3.49%	3.24%

## Silent night

With the US and UK markets closed for public holidays, financial markets were quiet overnight ... so quiet, it was a silent night!

There actually were a few news headlines, although mostly in our time zone, and contributed to a mild 'risk on' session which saw the NZD and AUD firm toward 4-week highs. Interestingly, the local swap market had another strong session with pricing up 7-odd bp across the curve although the Australian market was more subdued rallying 2 bp. Bond yields also firmed, with the German 10-year bond surging 9 bp to 1.055% after their inflation print.

The new RBNZ Chief Economist, Paul Conway, gave some very insightful views on the local economy after last week's MPS meeting, stating *"The committee did not seriously consider a 75bp interest rate rise, (although) there are more 50bp interest rate rises on the way. New Zealand will be able to cope thanks to the strength of its labour market. Inflation expectations have risen dramatically - this is a concern (and) the slowdown of China's economy could have implications for New Zealand."*

Shanghai has implemented a 50 point plan of policies to revitalise an economy impacted by COVID-19 lockdowns offering tax rebates to companies and allowing manufacturers to resume operations from June. Furthermore, the financial hub will accelerate approvals for property projects and new residential developments. I mean, what could go wrong?

In Germany, annual inflation rate rose to 7.9% in May, its highest level since the winter of 1973 and above market forecasts of 7.7%. Energy prices were the main contributor although food inflation also hit double-digits implying pricing pressures in Europe have not peaked yet.

The Eurozone's economic sentiment indicator was little changed at 105 in May from April's 104.9, and in-line with market expectations of 104.9. General confidence remains at levels not seen in a year as high inflation and the ongoing war in Ukraine continue to weigh.

We also had Fed Governor, Christopher Waller, warn on the risks of eroding central bank credibility. We have been warning that this will likely become an issue in Q3, but it's good to see we're ahead of the curve again! Anyway, Chris stated, *"The only asset as a central banker to fighting inflation is credibility. Without credibility, inflation expectations will become unanchored. We are committed to getting inflation back down (although) I don't think about spill overs to other countries when I set policy. We need to front-load rate hikes."*

And it's getting even worse in the UK where *The Times* has reported households could be facing rolling blackouts after a minister suggested that in a 'reasonable worst-case scenario', electricity would have to be rationed in up to six million homes next winter, mostly at peak usage times in the mornings and evenings. Consequently, the Government has also asked Britain's three remaining coal power stations to remain open.

## Who loves who the most?

There were also reports that that US President, Joe Biden, has arranged an unscheduled meeting with Federal Reserve Chair, Jerome Powell, on Tuesday. I guess Mr Powell is way more important than a certain Ms Ardern!



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# Daily Rates

Tuesday 31 May 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.34					CAD	0.8303	0.9113
NZD/USD	0.6558	-0.0003	-0.0010	-0.0024	-0.0050	CHF	0.6280	0.6892
NZD/AUD	0.9112	-0.0010	-0.0025	-0.0049	-0.0075	CNY	4.3685	4.7937
NZD/JPY	83.63	-0.14	-0.50	-1.22	-2.97	DKK	4.5261	4.9671
NZD/EUR	0.6084	-0.0012	-0.0040	-0.0087	-0.0184	FJD	1.4034	1.5402
NZD/GBP	0.5182	-0.0004	-0.0012	-0.0029	-0.0067	HKD	5.1467	5.6481
						KRW	810.25	889.18
AU TWI	63.00					MYR	2.8598	3.1398
AUD/USD	0.7197	0.0004	0.0009	0.0014	0.0007	NOK	6.1647	6.7653
AUD/NZD	1.0974	0.0012	0.0030	0.0060	0.0091	SEK	6.3937	7.0162
AUD/JPY	91.79	-0.06	-0.30	-0.86	-2.55	SGD	0.8958	0.9832
AUD/EUR	0.6675	-0.0007	-0.0026	-0.0061	-0.0150	TWD	19.00	20.85
AUD/GBP	0.5687	0.0001	0.0003	0.0000	-0.0025	ZAR	10.15	11.14
USD Index	101.35					<b>EQUITIES</b>		
EUR/USD	1.0780	0.0016	0.0055	0.0117	0.0251		<b>Index</b>	
USD/JPY	127.54	-0.15	-0.58	-1.40	-3.58	NZX50	11,146	
GBP/USD	1.2657	0.0001	0.0008	0.0023	0.0066	ASX200	7,287	
EUR/GBP	0.8517	0.0012	0.0038	0.0077	0.0153	Dow Jones	33,213	
						S&P 500	4,158	
						FTSE100	7,600	
						DAX 30	14,576	
						Nikkei	27,369	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>				
		<b>Mid</b>		<b>Mid</b>				
30 day bank bills		2.03%		0.53%				
90 day bank bills		2.46%		1.17%				
1 year swap		3.55%		2.44%				
2 year swap		3.87%		2.97%				
3 year swap		3.87%		3.10%				
5 year swap		3.81%		3.26%				
10 year swap		3.83%		3.49%				
3 year Govt bond		3.39%		2.76%				
5 year Govt bond		3.41%		2.98%				
10 year Govt bond		3.54%		3.24%				
						<b>COMMODITIES</b>		
						<b>USD</b>		
						Brent Crude	121.72	
						Gold	1,856.50	
						Silver	21.96	
						Iron Ore	133.50	
						CRB Index	341.45	
						<b>NZD</b>		
						NZ Carbon	77.00	

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