

# Market Alert

Monday 9 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6408	-0.0018
NZD/AUD	0.9053	-0.0036
NZD/JPY	83.63	-1.10
NZD/EUR	0.6075	-0.0087
NZD/GBP	0.5187	-0.0023
NZD/CNH	4.3048	0.0155
AUD/USD	0.7079	0.0008
AUD/EUR	0.6712	-0.0065
EUR/USD	1.0556	0.0116
USD/CNH	6.7206	0.0402
GBP/USD	1.2351	0.0024
EUR/GBP	0.8538	0.0077

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.12%	0.90%
2 year swap	3.90%	3.19%
10 year Govt	3.78%	3.46%

## Just don't mention The Warriors

Maybe if an Australian team played with 11 players ...

Long-dated U.S. Treasury yields surged, and global stock markets slid further, as concerns grew that the Federal Reserve may not be able to curb inflation after Friday's US employment although wage data showed decelerating wage growth in April.

The headline number was impressive, with the nonfarm payroll numbers showing 428,000 workers were added to the workforce in April. However, concerns grew after the participation rate fell to 62.5% suggesting a smaller labour force

may put pressure on employers to boost wages to attract workers complicating the Fed's fight to tame inflation, as officials attempt to bring labour demand in line with supply. Overall the unemployment rate fell to a pre-pandemic low at 3.5% as job growth moderated. Average hourly earnings rose 5.5% from a year ago, slightly slower than the previous month's increase.

Initially markets rallied on the headline numbers, although the rally was short-lived as investors grew worried over the implications of tighter global monetary policy on a backdrop of higher inflationary pressures and the challenging growth outlook which saw the Dow and S&P ease -0.05% and -0.75%, while the Nasdaq bore the brunt once again falling -1.45%. European bourses were also weaker by -1.0% to -2.0%.

Once again these concerns supported the US-dollar, which rallied to a 20-year high driving the NZD to the 0.6415 level with the AUD at 0.7075, while bond yields also surged with the 10-year US yield jumping 11bps to close at 3.14%, while the German bund continued to consolidate above 1.00%, currently trading at 1.13%.

## Ever again!

To be fair, the move in the bund was actually a fair reflection of a build-up of inflationary pressures after ECB Council member Robert Holzmann suggested "it would be appropriate to take at least two

or even three steps. These could be smaller ones i.e. 0.25% each. If this were to happen by December, it would have the effect that by 2023 the deposit rates for banks, which are now minus 0.50% would be in positive territory." We also had Robert's boss, Christine Lagarde, on the newswires stating, "Stagflation isn't our baseline scenario presently. While extraordinarily large uncertainty could cause a slowdown in economic growth accompanied by high inflation, the current situation can't be compared to that of the 1970s."

The PBoC has also launched a CNY100billion (USD15 billion) re-lending facility to assist companies in the transport, logistics and storage sectors as "Monetary policy should (always) co-ordinate with fiscal and industrial policies to jointly boost the confidence of market players, stimulate market drivers, support the real economy, and achieve the goal of stable growth." Separately, Chinese foreign currency reserves suffered their largest monthly fall in more than 5 years easing USD68 billion in April to USD3.120 trillion.

After last week's 50bps hike by the Fed, the week ahead becomes even more important with US CPI and PPI releases with the expectation the headline numbers are expected to have fallen on a year-over-year basis. We also have UK GDP, Euro-zone factory orders, and Chinese inflation numbers.



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# Daily Rates

Monday 9 May 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.68					CAD	0.8265	0.9130
NZD/USD	0.6408	-0.0002	-0.0007	-0.0018	-0.0041	CHF	0.6327	0.6987
NZD/AUD	0.9053	-0.0007	-0.0021	-0.0036	-0.0050	CNY	4.2709	4.7182
NZD/JPY	83.63	-0.10	-0.42	-1.10	-2.82	DKK	4.5181	4.9903
NZD/EUR	0.6075	-0.0014	-0.0040	-0.0087	-0.0190	FJD	1.3888	1.5337
NZD/GBP	0.5187	0.0000	-0.0007	-0.0023	-0.0065	HKD	5.0293	5.5552
						KRW	813.78	898.84
AU TWI	63.00					MYR	2.7933	3.0837
AUD/USD	0.7079	0.0004	0.0009	0.0008	-0.0006	NOK	6.0728	6.7082
AUD/NZD	1.1049	0.0008	0.0026	0.0044	0.0061	SEK	6.3638	7.0296
AUD/JPY	92.37	-0.04	-0.25	-0.85	-2.62	SGD	0.8875	0.9805
AUD/EUR	0.6712	-0.0005	-0.0023	-0.0065	-0.0169	TWD	19.02	21.00
AUD/GBP	0.5729	0.0005	0.0006	-0.0002	-0.0040	ZAR	10.24	11.31
USD Index	103.69					<b>EQUITIES</b>		
EUR/USD	1.0556	0.0014	0.0051	0.0116	0.0263		<b>Index</b>	
USD/JPY	130.51	-0.13	-0.53	-1.36	-3.60	NZX50	11,609	
GBP/USD	1.2351	0.0000	0.0007	0.0024	0.0081	ASX200	7,206	
EUR/GBP	0.8538	0.0011	0.0036	0.0077	0.0156	Dow Jones	32,899	
						S&P 500	4,123	
<b>INTEREST RATES</b>						<b>FTSE100</b>		
		<b>New Zealand</b>		<b>Australia</b>		DAX 30	13,674	
		<b>Mid</b>		<b>Mid</b>		Nikkei	27,004	
30 day bank bills		1.77%		0.28%		<b>COMMODITIES</b>		
90 day bank bills		2.12%		0.90%			<b>USD</b>	
1 year swap		3.41%		2.52%		Brent Crude	112.39	
2 year swap		3.90%		3.19%		Gold	1,883.41	
3 year swap		4.03%		3.36%		Silver	22.36	
5 year swap		4.06%		3.63%		Iron Ore	142.00	
10 year swap		4.10%		3.87%		CRB Index	331.45	
3 year Govt bond		3.56%		3.02%			<b>NZD</b>	
5 year Govt bond		3.66%		3.22%		NZ Carbon	76.50	
10 year Govt bond		3.80%		3.46%				

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