

# Market Alert

Wednesday 1 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6516	-0.0024
NZD/AUD	0.9079	-0.0047
NZD/JPY	83.87	-1.22
NZD/EUR	0.6070	-0.0087
NZD/GBP	0.5171	-0.0028
NZD/CNH	4.3484	-0.0023
AUD/USD	0.7177	0.0011
AUD/EUR	0.6686	-0.0061
EUR/USD	1.0735	0.0116
USD/CNH	6.6732	0.0211
GBP/USD	1.2601	0.0023
EUR/GBP	0.8520	0.0078

  

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.35%
90 day bills	2.30%	1.17%
2 year swap	3.92%	3.04%
10 year Govt	3.57%	3.34%

## Burn baby burn ... disco inferno

There are a few fires to fight at the moment. The overnight news was all about oil, and the EU put a match under the price after EU leaders agreed to ban 90% of the oil it imports from Russian by the end of this year. This saw oil spike to a week high with crude at USD115.40 and Brent at USD121.00. With these gains locked in, it opens the door for a potential extension to the USD150.00 level. The EU also removed Russia's largest bank, Sberbank, from SWIFT international settlements system

which will inevitably lead to a technical default on a failed Russian payment at some stage.

Coincidentally, with energy prices a large driver of EU inflation, last night was the perfect time for the release of the May print. CPI headlined at 8.1%, another record high surging from 7.4% in each of the previous two months, and well above market forecasts of 7.7%. Uncle Joe has a solution. President Biden penned an article to the WSJ on 'My Plan for Fighting Inflation' where he announced, "I won't meddle with the Fed, but I will tackle high prices while guiding the economy's transition to stable and steady growth." The article stated that fighting inflation is the top challenge that can be resolved by fixing broken supply chains, improving infrastructure, and cracking down on the exorbitant fees that foreign ocean freight companies charge (why didn't I think of that!)

Meanwhile, the Dallas Fed's manufacturing index plunged to 7.3 in May, while the S&P CoreLogic Case-Shiller home price index surged 21.2% on the year to reach a new record high.

We also had a whole host of Australian data, with current account surplus narrowing to AUD7.5 billion in Q1, falling short of market expectations at AUD13.4 billion. May consumer confidence eased to 90.7, while April building approvals fell 2.4%. Business

inventories rose by 3.2% in Q1, surpassing market expectations of 0.1%.

The Deputy Governor of The Reserve Bank of New Zealand ("RBNZ"), Christian Hawkesby, announced, "it's evident we need to continue to reduce stimulus, we need to tighten conditions past neutral. We are anticipating a time of subdued consumption (and) given the risks, a recession is a possibility." The RBNZ neutral is 2.0%. Right on cue, CoreLogic NZ house price inflation hit a 15 month low in May falling 0.8% on the month, and advancing 15.3% on the year, down from April's 18.8.

China's official PMIs beat expectations, although it was not large enough to have an immediate impact. Manufacturing index reached 49.6 against an expected 48.0, while services reached 47.8 with expectations at 45.2. This saw the composite jump to 48.4 from April's 42.7.

Bond yields gapped higher, with the US 10-Year T-bond up 11bps to 2.85%, off the back of firmer oil prices. The high inflation print in Germany will add pressure on the ECB to tighten. This naturally flowed through to equity markets, which were a 'sea of red' with international markets off 0.5% to 1.0%. Interestingly, in what should have been a robust session for the USD-index, its gains were relatively minor which saw the NZD/USD and AUD/USD hold on to the 0.6500 and 0.7175 levels.



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# Daily Rates

Wednesday 1 June 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.37					CAD	0.8241	0.9076
NZD/USD	0.6516	-0.0003	-0.0010	-0.0024	-0.0052	CHF	0.6251	0.6885
NZD/AUD	0.9079	-0.0009	-0.0026	-0.0047	-0.0072	CNY	4.3473	4.7888
NZD/JPY	83.87	-0.14	-0.50	-1.22	-2.98	DKK	4.5158	4.9737
NZD/EUR	0.6070	-0.0013	-0.0041	-0.0087	-0.0184	FJD	1.3984	1.5404
NZD/GBP	0.5171	-0.0003	-0.0012	-0.0028	-0.0067	HKD	5.1131	5.6318
						KRW	809.53	891.56
AU TWI	63.20					MYR	2.8528	3.1420
AUD/USD	0.7177	0.0004	0.0009	0.0011	-0.0001	NOK	6.1076	6.7268
AUD/NZD	1.1014	0.0011	0.0032	0.0058	0.0088	SEK	6.3627	7.0009
AUD/JPY	92.37	-0.07	-0.30	-0.87	-2.59	SGD	0.8926	0.9831
AUD/EUR	0.6686	-0.0008	-0.0026	-0.0061	-0.0150	TWD	18.92	20.84
AUD/GBP	0.5695	0.0002	0.0003	-0.0001	-0.0029	ZAR	10.20	11.23
USD Index	101.78					<b>EQUITIES</b>		
EUR/USD	1.0735	0.0018	0.0055	0.0116	0.0247		<b>Index</b>	
USD/JPY	128.71	-0.16	-0.57	-1.41	-3.60	NZX50	11,308	
GBP/USD	1.2601	0.0002	0.0009	0.0023	0.0063	ASX200	7,211	
EUR/GBP	0.8520	0.0012	0.0038	0.0078	0.0153	Dow Jones	33,213	
						S&P 500	4,132	
						FTSE100	7,608	
						DAX 30	14,388	
						Nikkei	27,280	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	122.84	
						Gold	1,835.69	
						Silver	21.53	
						Iron Ore	136.50	
						CRB Index	341.45	
							<b>NZD</b>	
						NZ Carbon	76.87	

  

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	2.03%		0.53%
90 day bank bills	2.47%		1.18%
1 year swap	3.58%		2.50%
2 year swap	3.92%		3.05%
3 year swap	3.94%		3.20%
5 year swap	3.90%		3.35%
10 year swap	3.96%		3.58%
3 year Govt bond	3.42%		2.84%
5 year Govt bond	3.46%		3.07%
10 year Govt bond	3.62%		3.34%

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