

Market Alert

Monday 13 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6346	-0.0026
NZD/AUD	0.9018	-0.0039
NZD/JPY	85.37	-1.40
NZD/EUR	0.6034	-0.0094
NZD/GBP	0.5152	-0.0031
NZD/CNH	4.2875	0.0000
AUD/USD	0.7035	0.0002
AUD/EUR	0.6689	-0.0076
EUR/USD	1.0513	0.0120
USD/CNH	6.7322	0.0000
GBP/USD	1.2314	0.0021
EUR/GBP	0.8542	0.0081

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.56%	1.56%
2 year swap	4.00%	3.41%
10 year Govt	3.99%	3.76%

Free beer?

Last week was a decisive week as central bankers turned more hawkish amid the global scramble to tackle inflation. The RBA hiked 50bps and the ECB flagged rate increases at their July and September meetings, while the BoE curve is now pricing in a 25bps hike this week followed by a further 50 in August.

This was before we'd even had Friday night's US CPI, which highlighted a further acceleration of inflationary pressures with all key inputs exceeding forecasts with the

headline number reaching 1.0% on the month and 8.6% on the year, as energy prices rose 34.6% and food costs surged 10.1%. This was the highest US inflation print since December 1981 as demand continues to outpace supply capacity.

Core inflation slowed for a second month hitting 0.60% and 6.00%, compared to expectations of 5.90%. Among this, US consumer confidence is plummeting after the Michigan consumer sentiment index fell sharply to a record low of 50.2 in June, well below market forecasts of 58, while the current economic conditions sub-index sank to an all-time low of 55.4, from May's 63.3, and the expectations gauge plunged to its lowest level since May 1980 at 46.8.

Once again, the poor data was a catalyst for further equity weakness with European and US bourses -2.00 to -5.00% lower. Commodity markets were also slightly lower, falling -0.50% to -2.00%, while bond selling saw yields gap higher with the 10-year US treasury yield closing the Friday session at 3.165%, while the bund broke the 1.50% level. As a comparison, the Australian 10-year government bond yield jumped 7.5pips to 3.67% while the NZ yield under-performed closing 4 points higher at 3.90%. Sentiment also weighed on the NZD and the AUD, which both fell -0.50% against the USD, although the EUR/USD is holding above the 1.0500 level.

Over the weekend we saw a deterioration in the Chinese COVID-19 situation after Beijing warned of the risk of further infections from a bar cluster while officials were dismissed in Shanghai due to quarantine failures. Unsurprisingly, Friday's Chinese CPI release under-shot expectations reaching 2.10% on the year against expectation of a 2.20% print, while the PPI was on target at 6.40%, which was a lot better than the Japan PPI print, which reached an incredible 9.10% in the year to May when 10.00% had been expected.

New Zealand Finance Minister, Grant Robertson, impressively announced he is a "firm believer in targeting inflation, and the RBNZ will continue as an inflation-fighting bank." We also had a couple of second tier releases with Q1 manufacturing sales falling -3.50% on the quarter while electronic card retail sales eased 0.70% in the year to May from a 2.10% jump in April.

Or a vino if you prefer!

With last week ending on a pessimistic note, this week also has some important releases with the Federal Reserve and BoE expected to raise interest rates.

We have the UK monthly GDP and unemployment releases, US retail sales and industrial production numbers, and the trade balance and the CPI prints from Europe. In NZ we have food inflation and Q1 GDP releases while Australia will be confirming their employment data.



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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	71.60					CAD	0.8111	0.9002
NZD/USD	0.6346	-0.0003	-0.0013	-0.0026	-0.0028	CHF	0.6264	0.6940
NZD/AUD	0.9018	-0.0008	-0.0024	-0.0039	-0.0050	CNY	4.2657	4.7263
NZD/JPY	85.37	-0.16	-0.60	-1.40	-3.35	DKK	4.4864	4.9735
NZD/EUR	0.6034	-0.0013	-0.0046	-0.0094	-0.0180	FJD	1.3647	1.5129
NZD/GBP	0.5152	-0.0003	-0.0014	-0.0031	-0.0062	HKD	4.9812	5.5221
						KRW	811.86	900.00
AU TWI	63.30					MYR	2.7922	3.0954
AUD/USD	0.7035	0.0002	0.0004	0.0002	-0.0011	NOK	6.1481	6.8156
AUD/NZD	1.1062	0.0007	0.0028	0.0044	0.0052	SEK	6.3410	7.0294
AUD/JPY	94.60	-0.11	-0.42	-1.17	-3.24	SGD	0.8806	0.9762
AUD/EUR	0.6689	-0.0010	-0.0034	-0.0076	-0.0165	TWD	18.82	20.86
AUD/GBP	0.5711	0.0000	-0.0001	-0.0010	-0.0039	ZAR	10.05	11.14
USD Index	104.19					EQUITIES		
EUR/USD	1.0513	0.0018	0.0059	0.0120	0.0249		Index	
USD/JPY	134.42	-0.18	-0.66	-1.68	-4.43	NZX50	11,136	
GBP/USD	1.2314	0.0001	0.0007	0.0021	0.0066	ASX200	6,932	
EUR/GBP	0.8542	0.0013	0.0042	0.0081	0.0155	Dow Jones	31,393	
						S&P 500	3,901	
INTEREST RATES						FTSE100	7,318	
		New Zealand		Australia		DAX 30	13,762	
		Mid		Mid		Nikkei	27,824	
30 day bank bills		2.11%		0.90%		COMMODITIES		
90 day bank bills		2.56%		1.56%			USD	
1 year swap		3.64%		2.93%		Brent Crude	122.01	
2 year swap		4.00%		3.41%		Gold	1,870.96	
3 year swap		4.08%		3.48%		Silver	21.87	
5 year swap		4.09%		3.62%		Iron Ore	141.51	
10 year swap		4.14%		3.86%		CRB Index	347.23	
3 year Govt bond		3.61%		3.12%			NZD	
5 year Govt bond		3.73%		3.43%		NZ Carbon	76.60	
10 year Govt bond		3.99%		3.76%				

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