

# Market Alert

Wednesday 15 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6207	-0.0020
NZD/AUD	0.9043	-0.0034
NZD/JPY	83.93	-1.49
NZD/EUR	0.5964	-0.0097
NZD/GBP	0.5179	-0.0037
NZD/CNH	4.1941	-0.0084
AUD/USD	0.6864	0.0004
AUD/EUR	0.6591	-0.0084
EUR/USD	1.0410	0.0136
USD/CNH	6.7541	0.0039
GBP/USD	1.1984	0.0044
EUR/GBP	0.8687	0.0079

  

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.73%	1.67%
2 year swap	4.38%	3.90%
10 year Govt	4.29%	4.03%

## Global confidence dwindling

Tuesday was light on data relative to what is coming up later in the week. However, there was plenty of unsettling information at the forefront while markets brace for the Fed's policy decision. For starters, the US dollar index has climbed above 105.0, and to levels not seen since 2003. This is primarily driven by (justified) fears of a global economic slowdown with strong expectations that the US Federal Reserve will need to raise rates more aggressively than originally anticipated as inflation continues to increase further. However

necessary it may seem, it is a move that banks estimate could tip the United States, and the rest of the global economy, into a recession.

The US 10-year yield increased above 3.45% for the first time since 2011, as markets aggressively priced in a 0.75% hike by the Fed, making the hopes of a soft landing seemingly unattainable. While the policy-sensitive 2-year yield climbed to its highest level since 2007. It's certainly not pretty.

Staying in the United States, producer prices increased 0.8% on the month in May, compared to a 0.4% rise in April. Prices for goods went up by 1.4%, which was predominantly driven by the cost of petrol up 8.4%, while services increased 0.4%.

The NAB business confidence index in Australia dropped to a four month low of 6.0 in May 2022 from 10.0 in April, amongst rising interest rates and persistent cost pressures. Although, this result is still above the long-term average. Business conditions moderated to 16.0, amid a slowdown in sales and profitability, meanwhile employment increased slightly. NAB Chief Economist, Alan Oster said, "Overall, the survey indicates the economy has maintained its momentum into Q2 and most businesses are in strong position despite the inflation headwinds, with the lift-off in interest rates and global growth risks yet to significantly impact Australia's economy."

In New Zealand, food prices have risen to a seasonally adjusted 0.8%, up a total 6.8% for 2022. Food prices have significant influence over CPI inflation, so this latest increase could possibly create doubts that inflation has 'peaked', and this certainly appears to be the consensus internationally.

Japanese industrial production fell by 4.9% in April, compared to a fall of 4.8% previously. This was broadly expected as Hong Kong industrial production also fell.

## All in anticipation

The downward trend continues in markets with all markets in the red, notably the S&P500 down 3.9% with most global indices down between 1.0-3.0% as the slowing economic outlook is priced into markets across the board with US markets holding off for the much-anticipated policy decision today.

The NZD/USD has slipped further, to near 0.6260 level while the AUD/USD is down for its fifth consecutive day, as the US dollar demand continues to gain strongly. This was demonstrated by the US dollar index – a measure of the value of the US dollar against six other currencies. Commodities were also down slightly. Bitcoin mega-woes continue and it is now down at USD 22,000, down 3.3% for the day and its lowest price in two years.



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# Daily Rates

Wednesday 15 June 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.8042	0.8892
NZD/USD	0.6207	-0.0002	-0.0012	-0.0020	-0.0029	CHF	0.6217	0.6876
NZD/AUD	0.9043	-0.0007	-0.0025	-0.0034	-0.0051	CNY	4.1925	4.6395
NZD/JPY	83.93	-0.17	-0.65	-1.49	-3.62	DKK	4.4345	4.9038
NZD/EUR	0.5964	-0.0014	-0.0050	-0.0097	-0.0188	FJD	1.3520	1.4951
NZD/GBP	0.5179	-0.0004	-0.0018	-0.0037	-0.0078	HKD	4.8724	5.3882
						KRW	800.63	885.38
AU TWI	62.50					MYR	2.7435	3.0339
AUD/USD	0.6864	0.0003	0.0005	0.0004	-0.0005	NOK	6.2241	6.8829
AUD/NZD	1.1052	0.0007	0.0020	0.0036	0.0044	SEK	6.3311	7.0012
AUD/JPY	92.78	-0.13	-0.48	-1.31	-3.48	SGD	0.8654	0.9570
AUD/EUR	0.6591	-0.0011	-0.0038	-0.0084	-0.0173	TWD	18.42	20.37
AUD/GBP	0.5727	0.0000	-0.0005	-0.0019	-0.0060	ZAR	9.97	11.02
USD Index	105.51					<b>EQUITIES</b>		
EUR/USD	1.0410	0.0021	0.0066	0.0136	0.0270		<b>Index</b>	
USD/JPY	135.17	-0.24	-0.80	-1.98	-5.03	NZX50	10,641	
GBP/USD	1.1984	0.0004	0.0018	0.0044	0.0109	ASX200	6,686	
EUR/GBP	0.8687	0.0014	0.0041	0.0079	0.0142	Dow Jones	30,414	
						S&P 500	3,737	
						FTSE100	7,187	
						DAX 30	13,304	
						Nikkei	26,630	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>				
		<b>Mid</b>		<b>Mid</b>				
30 day bank bills		2.20%		0.99%				
90 day bank bills		2.73%		1.67%				
1 year swap		4.05%		3.38%				
2 year swap		4.38%		3.90%				
3 year swap		4.44%		4.05%				
5 year swap		4.40%		4.01%				
10 year swap		4.43%		4.16%				
3 year Govt bond		3.97%		3.46%				
5 year Govt bond		4.08%		3.75%				
10 year Govt bond		4.29%		4.03%				
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	120.64	
						Gold	1,807.98	
						Silver	20.99	
						Iron Ore	140.34	
						CRB Index	336.48	
							<b>NZD</b>	
						NZ Carbon	75.70	

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