

Market Alert

Thursday 2 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6486	-0.0025
NZD/AUD	0.9054	-0.0048
NZD/JPY	84.43	-1.28
NZD/EUR	0.6089	-0.0091
NZD/GBP	0.5192	-0.0031
NZD/CNH	4.3419	-0.0049
AUD/USD	0.7183	0.0010
AUD/EUR	0.6740	-0.0066
EUR/USD	1.0653	0.0115
USD/CNH	6.6938	0.0201
GBP/USD	1.2489	0.0022
EUR/GBP	0.8529	0.0074

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.35%
90 day bills	2.50%	1.24%
2 year swap	3.86%	3.17%
10 year Govt	3.68%	3.49%

Markets were unusually quiet

As they awaited the final verdict of the Johnny Depp-Amber Herd trial – USD23 million to the good anyway, although hard fought earnings.

The ISM manufacturing index increased to 56.1 in May from 55.4 in April, beating market forecasts of 54.5. New orders, production, and inventories all grew faster while price pressures eased for a second straight month.

We also had a couple of Fed members, with perma-bull, Jim Bullard, stating, "It's too

early to say if we've seen peak inflation; we will need more than a few months to make a judgment. I would put neutral above 2.0% but (we) will need to go above that to bring inflation down," while Tom Barkin added, "The reduction in the balance sheet does a little more on top of rate hikes to tighten policy. I am still hearing very strong consumer demand. I am not seeing anything in the data that makes me concerned about consumer spending. You can't find a recession in the data or the actions of companies." However, rent-a-quote, Jamie Dimon, took a slightly different view warning investors to 'brace yourselves' for an economic hurricane caused by the Fed and Ukraine war!

New Australian treasurer, Jim Chalmers, has been quick to the party stating, "China's COVID strategy poses risks to the Australian economy," and the PMI releases backed that up after the IGP manufacturing index fell to 52.4 from 58.5, while the Markit manufacturing index dropped to 55.3 from 57.9 and the services eased to 53.0 from 56.6. Australian Q1 GDP exceeded the 0.7% forecast printing at 0.8% on the quarter and 3.3% on the year. After the huge 3.6% gain in 4Q21, the 0.8% increase in 1Q22 wasn't a bad result and will allow the RBA free reign to pursue its tightening path.

The two main inflation indicators underpinned the inflationary pressures after the 'chain price index' reached +4.9%, while the 'deflator' surged to 3.0% from

-0.1%, and 6.7% on the year. Finally, wage growth slowed to 1.8% in Q1 from Q4's 2.0%.

The Deputy Governor of The Reserve Bank of New Zealand ("RBNZ"), Christian Hawkesby, has given two speeches in two days stating, "it is important to keep expectations of inflation anchored" and "demand needs to be moderated" as "inflation expectations can become self-fulfilling." One of the banks also stated, "the business outlook survey painted a bleak picture of the economy. The signs of an economic recession, or thereabouts, are clearly visible."

The BoC raised their overnight cash rate by 50bps to 1.50%, matching market expectations and signalling that there will be further hikes in coming months.

OPEC are due to meet on Thursday, while the EU is to ban insurance on European ships that carry Russian oil. But don't worry, Russian's has been conducting nuclear drills overnight while China announced it will work with Russia to promote 'real democracy'.

Equities weakened a touch, commodities firmed, and crypto's have taken a bath ... again! Bond yields spiked higher with the T-bond at 2.925% and the bund at 1.18% while the NZD/USD remained weak falling below the 0.6500 level, although the AUD/USD remained above 0.7175 which saw the NZD/AUD rate fall back to 0.9035, or 1.1070 if you prefer!



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Daily Rates

Thursday 2 June 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.30					CAD	0.8198	0.9079
NZD/USD	0.6486	-0.0003	-0.0010	-0.0025	-0.0045	CHF	0.6244	0.6917
NZD/AUD	0.9054	-0.0009	-0.0025	-0.0048	-0.0067	CNY	4.3284	4.7891
NZD/JPY	84.43	-0.15	-0.52	-1.28	-3.10	DKK	4.5281	5.0147
NZD/EUR	0.6089	-0.0013	-0.0042	-0.0091	-0.0190	FJD	1.3777	1.5257
NZD/GBP	0.5192	-0.0004	-0.0012	-0.0031	-0.0069	HKD	5.0900	5.6370
						KRW	808.11	894.95
AU TWI	63.30					MYR	2.8415	3.1469
AUD/USD	0.7183	0.0003	0.0008	0.0010	-0.0008	NOK	6.1345	6.7938
AUD/NZD	1.1069	0.0008	0.0029	0.0051	0.0067	SEK	6.3803	7.0660
AUD/JPY	93.47	-0.08	-0.33	-0.96	-2.76	SGD	0.8913	0.9871
AUD/EUR	0.6740	-0.0008	-0.0028	-0.0066	-0.0163	TWD	18.95	20.98
AUD/GBP	0.5750	0.0001	0.0002	-0.0006	-0.0034	ZAR	10.09	11.17
USD Index	102.50					EQUITIES		
EUR/USD	1.0653	0.0017	0.0056	0.0115	0.0248		Index	
USD/JPY	130.13	-0.16	-0.61	-1.48	-3.74	NZX50	11,373	
GBP/USD	1.2489	0.0001	0.0008	0.0022	0.0064	ASX200	7,234	
EUR/GBP	0.8529	0.0012	0.0038	0.0074	0.0147	Dow Jones	32,936	
						S&P 500	4,118	
						FTSE100	7,533	
						DAX 30	14,340	
						Nikkei	27,458	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			2.06%		0.61%			
90 day bank bills			2.50%		1.24%			
1 year swap			3.52%		2.53%			
2 year swap			3.86%		3.17%			
3 year swap			3.89%		3.32%			
5 year swap			3.88%		3.37%			
10 year swap			3.93%		3.60%			
3 year Govt bond			3.44%		2.91%			
5 year Govt bond			3.50%		3.20%			
10 year Govt bond			3.68%		3.49%			
						COMMODITIES		
							USD	
						Brent Crude	116.12	
						Gold	1,847.43	
						Silver	21.84	
						Iron Ore	136.07	
						CRB Index	340.97	
							NZD	
						NZ Carbon	76.85	

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