

# Market Alert

Wednesday 22 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6327	-0.0022
NZD/AUD	0.9080	-0.0038
NZD/JPY	86.44	-1.61
NZD/EUR	0.6009	-0.0101
NZD/GBP	0.5157	-0.0036
NZD/CNH	4.2343	-0.0142
AUD/USD	0.6968	0.0004
AUD/EUR	0.6615	-0.0086
EUR/USD	1.0530	0.0144
USD/CNH	6.6932	-0.0003
GBP/USD	1.2268	0.0043
EUR/GBP	0.8584	0.0086

  

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.83%	1.91%
2 year swap	4.43%	3.85%
10 year Govt	4.27%	4.15%

## Sentiment contained, for now

It was yet another poor performance overnight at the Global Dairy Trade auction, the overall GDT Price Index was down -1.3%, after only just having its first positive result in 5 auctions two weeks ago! Anhydrous milk fat was down -4.75% and Cheddar fell a significant -9%, while whole milk powder was down -0.6%.

The signs are still pointing to a strong dairy payout next session, although the GDT Price Index has been trending lower since the March highs.

In the United States, existing home sales declined by 3.4% in May, the lowest reading since June 2020, but broadly in line with estimates. Sales were down for a fourth consecutive month as the exponential spike in US mortgage rates and decades-high inflation takes a toll on household purchasing power and sentiment.

The Chicago Fed National Activity Index is designed to gauge overall economic activity and related inflationary pressure. Given the current economic climate it's perhaps unsurprising that the index came in at an eight-month low of just 0.01 in May, down from 0.40 the previous month. The biggest detractor this month was the personal consumption and housing category. The index's three-month moving average has decreased from 0.39 in April to 0.27 in May, a trend that is certainly in line with overall current market sentiment and conditions. The data also reinforces concerns of a quick slowdown for the US economy.

The S&P 500 has come back strongly following the US holiday, with a 2.5% increase. European and Asian equity markets also made gains, adding to Monday's momentum. The trend was the same for the ASX and NZX, both gaining 1.4% and 1.1% respectively, in a tentative sign that market nerves are holding, for now.

## RBA sticking to its guns

The minutes of the June RBA Board meeting confirmed that further rate hikes will be needed and that it is committed to doing what is needed to ensure that inflation returns to its target over time. The Board felt that 25bp increases every meeting this year would be classed as a rapid tightening, but the decision was to front-load rate hikes because the level of interest rates was still very low and stimulatory. In a speech made yesterday just before the minutes of the Board meeting were released, the RBA Governor, Philip Lowe, provided further details of the rates' path. He said that Australians should be prepared for further rate hikes and that the pace and quantum of hikes will be guided by incoming data. He noted that there is no pre-set path on rates but now expected CPI inflation to peak around 7.0% in Q4 and he wanted to ensure inflation expectations remained anchored.

However, the RBA is unlikely to follow the path of the Fed's 0.75% hike after Lowe said that "we discussed 25 or 50bp at the June meeting, will discuss 25 or 50bp at the July meeting as well." Lowe also dismissed market pricing of a 4.00% cash rate by the end of the year. "I don't think it's particularly likely" he said and noted that a rise of that magnitude would sharply slow down the economy. However, Lowe did concede that the market has done a better job on rate pricing than the RBA has!



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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	71.40					CAD	0.8172	0.9001
NZD/USD	0.6327	-0.0003	-0.0010	-0.0022	-0.0041	CHF	0.6116	0.6736
NZD/AUD	0.9080	-0.0007	-0.0020	-0.0038	-0.0052	CNY	4.2430	4.6715
NZD/JPY	86.44	-0.20	-0.70	-1.61	-3.75	DKK	4.4681	4.9208
NZD/EUR	0.6009	-0.0015	-0.0048	-0.0101	-0.0197	FJD	1.3662	1.5046
NZD/GBP	0.5157	-0.0005	-0.0016	-0.0036	-0.0071	HKD	4.9666	5.4698
						KRW	817.40	900.22
AU TWI	62.30					MYR	2.7813	3.0631
AUD/USD	0.6968	0.0001	0.0004	0.0004	-0.0013	NOK	6.2318	6.8632
AUD/NZD	1.1008	0.0006	0.0023	0.0042	0.0054	SEK	6.3913	7.0389
AUD/JPY	95.18	-0.15	-0.56	-1.40	-3.63	SGD	0.8765	0.9653
AUD/EUR	0.6615	-0.0012	-0.0039	-0.0086	-0.0182	TWD	18.81	20.72
AUD/GBP	0.5679	-0.0002	-0.0006	-0.0017	-0.0048	ZAR	10.07	11.09
USD Index	104.43					<b>EQUITIES</b>		
EUR/USD	1.0530	0.0022	0.0067	0.0144	0.0276		<b>Index</b>	
USD/JPY	136.62	-0.25	-0.89	-2.08	-5.17	NZX50	10,702	
GBP/USD	1.2268	0.0005	0.0019	0.0043	0.0083	ASX200	6,524	
EUR/GBP	0.8584	0.0013	0.0041	0.0086	0.0165	Dow Jones	30,532	
						S&P 500	3,770	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		FTSE100	7,152	
		<b>Mid</b>		<b>Mid</b>		DAX 30	13,292	
30 day bank bills		2.29%		1.09%		Nikkei	26,246	
90 day bank bills		2.83%		1.91%		<b>COMMODITIES</b>		
1 year swap		4.04%		3.34%			<b>USD</b>	
2 year swap		4.43%		3.85%		Brent Crude	114.59	
3 year swap		4.48%		4.01%		Gold	1,830.08	
5 year swap		4.47%		4.12%		Silver	21.63	
10 year swap		4.48%		4.31%		Iron Ore	135.69	
3 year Govt bond		3.96%		3.57%		CRB Index	329.48	
5 year Govt bond		4.09%		3.86%			<b>NZD</b>	
10 year Govt bond		4.27%		4.15%		NZ Carbon	76.50	

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