

Market Alert

Thursday 23 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6288	-0.0019
NZD/AUD	0.9071	-0.0039
NZD/JPY	85.63	-1.62
NZD/EUR	0.5950	-0.0102
NZD/GBP	0.5125	-0.0035
NZD/CNH	4.2174	-0.0145
AUD/USD	0.6929	0.0008
AUD/EUR	0.6556	-0.0084
EUR/USD	1.0565	0.0147
USD/CNH	6.7104	-0.0001
GBP/USD	1.2262	0.0046
EUR/GBP	0.8613	0.0084

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.83%	1.83%
2 year swap	4.34%	3.62%
10 year Govt	4.21%	4.07%

It's getting tough out there

With relatively dour sentiment already plaguing markets, the NZD was bogged down again in the local session yesterday as yet another consumer confidence release showed what we already know. The latest Westpac McDermott Miller survey showed households believe there has never been a worse time to buy a major household item (or at least it's the worst time since 1988, when the survey began and the Holidaymakers' 'Sweet Lovers' topped the local singles chart).

The headline Consumer Confidence Index fell 13 points in the June quarter, to a level

of 78.7. "Confidence has only come close to these sorts of lows twice before - first during the recession in the early-1990s, and then again during the Global Financial Crisis in 2008/09" the report said. A net 24.8% of households said it's not a good time to buy a major household item, a fall of 17.9% from March and way below the long run average of +23.8%

ECB vice president and big talker, Luis de Guindos, gave us nothing concrete in saying that the size of the September rate hike will be dependent on inflation expectations. The ECB has already committed to begin its hiking cycle in July, being somewhat late to the party.

Brian Cornell, The CEO of US retail giant Target (known for a 25% drop in its share price last month following earnings warnings), hit the wires with some comments giving insight into US consumer behaviour. He said there was a "tremendous amount of uncertainty in consumers" and supply chains are not getting any better. He predicted high fuel costs were likely to linger and food sales and miles driven metrics will be critical for 4th July, to gauge the economic outlook.

And the latest from the problematic Chinese property sector - Shanghai based and state backed property developer, Greenland Holdings, has been downgraded to 'selective default' by S&P Global Ratings after it failed to repay a USD488 million bond. The screws continue to tighten.

Could it get any worse?

For UK consumers suffering from record inflation, the answer is 'yes.' Unfortunately, UK CPI in May reached 9.1% year on year, up from 9.0% in April. However, the silver lining is that core CPI dipped from 6.2% to 5.9%.

Canada, much like the UK and the rest of the global economy, is also experiencing record inflation. Their CPI came in at 7.7% for May - the highest since 1983 and above market expectations. The main driver was the cost of transportation, which surged 14.6%, underpinned by rising petrol prices.

It's not much better in the EU either. Consumer confidence for June was down significantly, to -23.6, its lowest level since April 2020 and well below market expectations of -20.5.

In an attempt to reassure markets at a Senate hearing yesterday, Jerome Powell remarked, "Inflation has obviously surprised to the upside over the past year, and further surprises could be in store. We, therefore, will need to be nimble in responding to incoming data and the evolving outlook."

This is likely to be an approach and view shared by global central banks, as economies continue to experience persistently high and accelerating inflation. Market pricing has a follow-up 0.75% July hike by the Fed almost fully priced in.



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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	71.10					CAD	0.8135	0.8967
NZD/USD	0.6288	-0.0003	-0.0009	-0.0019	-0.0032	CHF	0.6045	0.6664
NZD/AUD	0.9071	-0.0006	-0.0020	-0.0039	-0.0057	CNY	4.2181	4.6471
NZD/JPY	85.63	-0.19	-0.67	-1.62	-3.66	DKK	4.4260	4.8772
NZD/EUR	0.5950	-0.0015	-0.0048	-0.0102	-0.0193	FJD	1.3613	1.5001
NZD/GBP	0.5125	-0.0005	-0.0016	-0.0035	-0.0070	HKD	4.9360	5.4392
						KRW	815.69	898.84
AU TWI	62.10					MYR	2.7686	3.0508
AUD/USD	0.6929	0.0001	0.0005	0.0008	-0.0006	NOK	6.2279	6.8628
AUD/NZD	1.1021	0.0006	0.0021	0.0040	0.0050	SEK	6.3448	6.9916
AUD/JPY	94.38	-0.15	-0.54	-1.39	-3.49	SGD	0.8723	0.9612
AUD/EUR	0.6556	-0.0012	-0.0039	-0.0084	-0.0174	TWD	18.72	20.62
AUD/GBP	0.5648	-0.0002	-0.0006	-0.0015	-0.0047	ZAR	10.00	11.02
USD Index	104.20					EQUITIES		
EUR/USD	1.0565	0.0021	0.0070	0.0147	0.0273		Index	
USD/JPY	136.19	-0.24	-0.88	-2.13	-5.06	NZX50	10,679	
GBP/USD	1.2262	0.0006	0.0019	0.0046	0.0085	ASX200	6,509	
EUR/GBP	0.8613	0.0013	0.0042	0.0084	0.0163	Dow Jones	30,483	
						S&P 500	3,770	
INTEREST RATES		New Zealand		Australia		FTSE100	7,089	
		Mid		Mid		DAX 30	13,144	
30 day bank bills		2.30%		1.10%		Nikkei	26,150	
90 day bank bills		2.83%		1.83%		COMMODITIES		
1 year swap		3.94%		3.21%			USD	
2 year swap		4.34%		3.62%		Brent Crude	110.77	
3 year swap		4.40%		3.76%		Gold	1,837.57	
5 year swap		4.41%		4.02%		Silver	21.39	
10 year swap		4.42%		4.21%		Iron Ore	133.47	
3 year Govt bond		3.86%		3.46%		CRB Index	324.85	
5 year Govt bond		4.00%		3.77%			NZD	
10 year Govt bond		4.21%		4.07%		NZ Carbon	76.25	

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