

# Market Alert

Friday 3 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6558	-0.0025
NZD/AUD	0.9054	-0.0046
NZD/JPY	85.14	-1.30
NZD/EUR	0.6101	-0.0091
NZD/GBP	0.5216	-0.0031
NZD/CNH	4.3439	-0.0048
AUD/USD	0.7264	0.0008
AUD/EUR	0.6758	-0.0067
EUR/USD	1.0745	0.0116
USD/CNH	6.6590	0.0167
GBP/USD	1.2572	0.0024
EUR/GBP	0.8547	0.0074

  

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.35%
90 day bills	2.51%	1.27%
2 year swap	3.87%	3.19%
10 year Govt	3.72%	3.58%

## Cloudy with a chance of storms for financial markets

Goldman Sachs COO, John Waldron, joined Jaime Dimon in warning against further unprecedented shocks to the financial system stating, *"This is amongst, if not the most complex, dynamic environment I've ever seen in my career. We've obviously been through lots of cycles, but the confluence of the number of shocks to the system, to me is unprecedented."*

Ahead of tonight's US data releases, initial jobless claims exceeded expectations falling 11,000 to 200,000. Private business hirings fell short with just 128,000

workers added to the workforce in May, while the forecast was for 300,000. US factory orders were also a miss against expectations increasing 0.3% versus a call of 0.7%, while the March number was also revised down.

Cleveland Fed President, Loretta Mester, sought to downplay those that were hoping for a pause in September to the hiking cycle stating, *"The funds rate will likely need to go above its longer-run neutral level. Appropriate 50 basis point rate hikes at the next 2 Fed meetings (but) if prices have failed to moderate, faster rate hikes could be needed."* Fed Vice Chair, Lael Brainard, was even more explicit stating *"From where I sit today, market pricing for 50 basis points, potentially in June and July, seems like a reasonable path. Right now, it's very hard to see the case for a pause. We've still got a lot of work to do to get inflation down to our 2.0% target."*

The New Zealand Q1 terms of trade increased 0.5% as export prices surged 7.8%, although imports also increased by 7.2%. While the New Zealand numbers were good, they were dwarfed by Australia's AUD10.49 billion surplus, which was far ahead of the AUD9.00 billion forecast. Exports jumped 1.0% on the month while imports fell 1.0%.

We also had the new Australian energy minister, Chris Bowen, fire the first shots in the energy debate stating, *"we will take whatever action is necessary to ensure ongoing reliability and affordability for domestic energy markets. We won't shy away*

*from taking hard decisions (but) it is not a short-term answer to trigger the domestic gas security mechanism."*

Fitch affirmed China's A+ rating with a stable outlook, while the Government also ordered state-owned banks to set up USD120 billion of credit lines for infrastructure projects. The Chinese ambassador to Australia also warned that trade sanctions on Australia will not be removed.

OPEC has agreed to accelerate oil production following pressure from the US, although the real question is whether the members have any spare capacity.

## The pause ... ahead of tonight's carnage

Financial markets were a 'sea of calm' overnight, despite the warnings from Wall Street, as markets set the groundwork ahead of tonight's non-farm payrolls release.

International equity markets have been trading in positive territory, up 0.5%-2.0%, as have commodity markets – even oil rallied up a couple of dollars despite the promises of increased production.

Interest rate markets are a touch firmer with the bund outperforming, rallying 5 pips to 1.23%, while the T-bond flatlined at 2.92%. The commodity currencies also embraced the 'risk-on' environment with the NZD and the AUD both rallying 1.20% against the USD.



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# Daily Rates

Friday 3 June 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.10					CAD	0.8244	0.9132
NZD/USD	0.6558	-0.0003	-0.0011	-0.0025	-0.0046	CHF	0.6281	0.6958
NZD/AUD	0.9054	-0.0009	-0.0026	-0.0046	-0.0060	CNY	4.3557	4.8241
NZD/JPY	85.14	-0.15	-0.54	-1.30	-3.12	DKK	4.5383	5.0268
NZD/EUR	0.6101	-0.0013	-0.0042	-0.0091	-0.0183	FJD	1.3844	1.5335
NZD/GBP	0.5216	-0.0004	-0.0013	-0.0031	-0.0068	HKD	5.1448	5.6986
						KRW	814.67	902.38
AU TWI	63.30					MYR	2.8783	3.1882
AUD/USD	0.7264	0.0003	0.0008	0.0008	-0.0009	NOK	6.1457	6.8073
AUD/NZD	1.1075	0.0008	0.0028	0.0049	0.0065	SEK	6.3605	7.0453
AUD/JPY	94.32	-0.08	-0.33	-0.97	-2.86	SGD	0.8989	0.9957
AUD/EUR	0.6758	-0.0008	-0.0028	-0.0067	-0.0162	TWD	19.16	21.23
AUD/GBP	0.5777	0.0001	0.0002	-0.0005	-0.0040	ZAR	10.14	11.23
USD Index	101.79					<b>EQUITIES</b>		
EUR/USD	1.0745	0.0017	0.0055	0.0116	0.0248		<b>Index</b>	
USD/JPY	129.86	-0.16	-0.60	-1.48	-3.76	NZX50	11,350	
GBP/USD	1.2572	0.0001	0.0007	0.0024	0.0066	ASX200	7,176	
EUR/GBP	0.8547	0.0011	0.0037	0.0074	0.0145	Dow Jones	33,160	
						S&P 500	4,163	
						FTSE100	7,533	
						DAX 30	14,485	
						Nikkei	27,414	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>				
		<b>Mid</b>		<b>Mid</b>				
30 day bank bills		2.06%		0.63%				
90 day bank bills		2.51%		1.27%				
1 year swap		3.52%		2.66%				
2 year swap		3.87%		3.19%				
3 year swap		3.92%		3.37%				
5 year swap		3.92%		3.48%				
10 year swap		3.97%		3.70%				
3 year Govt bond		3.44%		3.01%				
5 year Govt bond		3.51%		3.29%				
10 year Govt bond		3.72%		3.58%				
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	117.85	
						Gold	1,869.34	
						Silver	22.27	
						Iron Ore	136.95	
						CRB Index	344.25	
							<b>NZD</b>	
						NZ Carbon	77.10	

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