

Market Alert

Wednesday 8 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6493	-0.0027
NZD/AUD	0.8975	-0.0040
NZD/JPY	86.14	-1.35
NZD/EUR	0.6064	-0.0091
NZD/GBP	0.5153	-0.0032
NZD/CNH	4.3294	-0.0078
AUD/USD	0.7236	0.0001
AUD/EUR	0.6756	-0.0073
EUR/USD	1.0706	0.0114
USD/CNH	6.6676	0.0152
GBP/USD	1.2596	0.0024
EUR/GBP	0.8498	0.0075

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.55%	1.29%
2 year swap	3.89%	3.44%
10 year Govt	3.80%	3.64%

Well, that was a bit of a surprise!

In hiking their cash rate, the RBA said no to 25bps, no to 40bps, but a very big yes to 50bps! This saw the cash rate increase to 0.85%. While just 3 of 29 economists forecast the magnitude of the hike, less surprising was the mandatory warning that inflation was expected to accelerate further with capacity constraints and a tighter job market supporting higher prices.

The statement also hit most of the key bullet points, highlighting that more rate hikes are coming, with "The size and

timing of future interest rate increases will be guided by the incoming data and the Board's assessment of the outlook for inflation and the labour market."

Inflation remains an issue as, "Higher prices for electricity and gas, and recent increases in petrol prices, mean that in the near term, inflation is likely to be higher than was expected a month ago." Furthermore, house prices got a special mention as, "Housing prices have declined in some markets over recent months but remain more than 25% higher than prior to the pandemic, supporting household wealth and spending" while the old chestnut of supply chain's was touched on again with, "As the global supply-side problems are resolved, and commodity prices stabilise, even if at a high level, inflation is expected to moderate."

The reaction to the RBA announcement saw AUD/USD spike to 0.7249 and AUD/NZD hit 1.1179, while the 3 year swap rate hit 3.77% and the 5 year peaked at 3.87%. Prices have since eased in what was a mixed night of trading.

Equity bourses were weaker in Europe as concerns over high inflation, monetary policy tightening, and slower economic growth re-emerged although, US exchanges have been in positive territory rallying 1.0%. The US 10 year treasury fell below the 3.00% level to be at 2.99%. Currencies were a mixed bag with the NZD and EUR flat, the AUD firmer, and the JPY crushed!

Last night's GDT auction showed dairy prices increased 1.5% following five consecutive decreases. The strongest performer was butter, up 5.6%, skim milk powder rallied 3.0%, while whole milk powder was down 0.3%. This will support NZ commodity prices after yesterday's release highlighted a 2.8% decrease driven by weaker aluminium, dairy, and forestry prices although, in local currency terms, the index gained 2.0% given the NZD's recent weakness.

In the US, the April trade deficit came in at a 4 month low of USD87.1 billion easing back from March's record USD107.7 billion deficit. Imports from China fell by USD10.1 billion, a 7-year high, driven by the China's stringent coronavirus policy. Meanwhile, the China Securities Journal, announced, "the Chinese economy has benefited from its virus control and policy stimulus (with the economy expected to rebound in H2."

Finally, the World Bank has cut its 2022 global growth forecast to 2.9% in June from the 4.1% reported in January. Reasons for the downgrade were the usual culprits – the war in Ukraine, surging energy and food prices, and rising interest rates. The World bank forecast a recession will be hard to avoid for many countries. In the US, GDP is expected to fall to 2.5% from 3.7%, China is at 4.3% compared to 5.1%, and the Euro Area has plummeted to 2.5% from 4.2%.



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Daily Rates

Wednesday 8 June 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.00					CAD	0.8132	0.9064
NZD/USD	0.6493	-0.0003	-0.0013	-0.0027	-0.0048	CHF	0.6314	0.7038
NZD/AUD	0.8975	-0.0008	-0.0024	-0.0040	-0.0047	CNY	4.3136	4.8064
NZD/JPY	86.14	-0.16	-0.57	-1.35	-3.21	DKK	4.5097	5.0261
NZD/EUR	0.6064	-0.0013	-0.0044	-0.0091	-0.0182	FJD	1.3762	1.5337
NZD/GBP	0.5153	-0.0004	-0.0014	-0.0032	-0.0066	HKD	5.0943	5.6773
						KRW	813.83	906.95
AU TWI	63.60					MYR	2.8527	3.1791
AUD/USD	0.7236	0.0002	0.0005	0.0001	-0.0024	NOK	6.1328	6.8346
AUD/NZD	1.1138	0.0008	0.0027	0.0042	0.0049	SEK	6.3516	7.0785
AUD/JPY	95.96	-0.10	-0.38	-1.10	-3.12	SGD	0.8916	0.9936
AUD/EUR	0.6756	-0.0009	-0.0031	-0.0073	-0.0170	TWD	19.15	21.34
AUD/GBP	0.5744	0.0001	0.0000	-0.0011	-0.0048	ZAR	9.97	11.11
USD Index	102.31					EQUITIES		
EUR/USD	1.0706	0.0018	0.0056	0.0114	0.0241		Index	
USD/JPY	132.62	-0.18	-0.62	-1.54	-4.07	NZX50	11,266	
GBP/USD	1.2596	0.0002	0.0009	0.0024	0.0065	ASX200	7,096	
EUR/GBP	0.8498	0.0013	0.0038	0.0075	0.0148	Dow Jones	33,180	
						S&P 500	4,157	
						FTSE100	7,599	
						DAX 30	14,557	
						Nikkei	27,944	
INTEREST RATES		New Zealand		Australia				
		Mid		Mid				
30 day bank bills		2.06%		0.67%				
90 day bank bills		2.55%		1.29%				
1 year swap		3.56%		2.93%				
2 year swap		3.89%		3.44%				
3 year swap		3.96%		3.54%				
5 year swap		3.97%		3.67%				
10 year swap		4.05%		3.83%				
3 year Govt bond		3.50%		3.15%				
5 year Govt bond		3.59%		3.41%				
10 year Govt bond		3.80%		3.64%				
						COMMODITIES		
							USD	
						Brent Crude	121.08	
						Gold	1,853.98	
						Silver	22.24	
						Iron Ore	144.81	
						CRB Index	348.58	
							NZD	
						NZ Carbon	76.90	

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