

# Market Alert

Thursday 9 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6450	-0.0026
NZD/AUD	0.8965	-0.0037
NZD/JPY	86.59	-1.36
NZD/EUR	0.6019	-0.0088
NZD/GBP	0.5143	-0.0030
NZD/CNH	4.3182	-0.0055
AUD/USD	0.7194	0.0001
AUD/EUR	0.6714	-0.0072
EUR/USD	1.0715	0.0117
USD/CNH	6.6950	0.0182
GBP/USD	1.2540	0.0023
EUR/GBP	0.8544	0.0078

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.52%	1.24%
2 year swap	3.97%	3.41%
10 year Govt	3.77%	3.54%

## Letting the commentators talk their own positions!

One of the local Australian banks announced Tuesday's RBA hike was "a really radical shift in a very short amount of time" although "we think they'll deliver another 50 basis points in July. Then, we've got 25 pencilled in for August, with a couple more 25s over the second half of this year, to see the cash rate at 2.1% (by year-end). The risk there is that they do a little bit more and take it to 2.35%. We then think the RBA will end up taking the cash rate back down in late 2023 simply because they're front-loaded the tightening cycle and that the economy

will probably be slowing quite a bit going into 2023."

And Ray Dalio is thinking the Federal Reserve will undertake a similar cutting cycle, although it will be in 2024 as, "We believe that we are in a tightening mode that can cause corrections or downward moves to many financial assets. The pain of that will become great and that will force the central banks to ease again, probably somewhere close to the next presidential elections in 2024." So much for central bank independence!

And speaking of opinions, JP Morgan economist, Marko Kolanovic, believes that even if oil hits USD150 a barrel, equities will reclaim their 2022 highs with the S&P ending the year around the 4,800 level. I'm pretty sure that wasn't in my economic textbook at school! Finally, US Treasury Secretary, Janet Yellen, announced the US was dealing with "unacceptable levels of inflation," adding, "I do expect inflation to remain high," although she rejected the assertion that inflation had been fuelled by President Biden's USD1.9 trillion COVID-19 related American Rescue Plan spending legislation last year.

A Chinese official says the PBOC will 'guide financing costs lower' for the real economy, while a vice commerce minister announced, "China's foreign trade faces uncertainties and huge pressures by domestic and external factors. Chinese importers and exporters are under pressure due to logistics problems and soaring raw material prices."

## In terms of actual data releases

The Atlanta Fed's GDPNow tracker downgraded its US Q2 growth forecast from 1.3% to 0.9%, April wholesale inventories reached 2.2% versus the 2.1% expected, while US mortgage applications fell to a 22 year low after the MBA Market Composite Index sank 6.5%. Meanwhile, ahead of tonight's ECB rate announcement, Euro-zone GDP exceeded the 0.3% forecasts expanding by 0.6% in Q122.

International equity markets gave back yesterday's gains, and then some, as profit warnings and downgrades weighed on sentiment.

The 10-year treasury broke back above the 3.00% level, reaching 3.03%, which saw USD/JPY reach a 2 decade high of 134.47 after posting solid gains over the past four sessions. EUR/USD continues to consolidate near 1.07, maintaining its sideways trend, while the NZD/USD and AUD/USD eased back below the 0.6450 and 0.7200 levels.

And just when we thought the oil situation couldn't get any worse, production at Libya's Sharara oilfield has been halted again, while 845 of Norway's 7,500 oil and gas production workers are planning strikes this weekend should wage negotiations fail. This saw oil rally a further 2.5%!



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# Daily Rates

Thursday 9 June 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.96					CAD	0.8094	0.9028
NZD/USD	0.6450	-0.0003	-0.0012	-0.0026	-0.0051	CHF	0.6312	0.7040
NZD/AUD	0.8965	-0.0007	-0.0022	-0.0037	-0.0048	CNY	4.3107	4.8085
NZD/JPY	86.59	-0.15	-0.58	-1.36	-3.24	DKK	4.4779	4.9937
NZD/EUR	0.6019	-0.0012	-0.0042	-0.0088	-0.0181	FJD	1.3947	1.5572
NZD/GBP	0.5143	-0.0003	-0.0013	-0.0030	-0.0066	HKD	5.0615	5.6459
						KRW	810.73	904.32
AU TWI	63.60					MYR	2.8337	3.1593
AUD/USD	0.7194	0.0002	0.0005	0.0001	-0.0018	NOK	6.1081	6.8139
AUD/NZD	1.1154	0.0008	0.0028	0.0047	0.0061	SEK	6.3365	7.0677
AUD/JPY	96.60	-0.10	-0.40	-1.11	-3.14	SGD	0.8875	0.9900
AUD/EUR	0.6714	-0.0009	-0.0031	-0.0072	-0.0168	TWD	19.03	21.23
AUD/GBP	0.5737	0.0001	0.0000	-0.0010	-0.0043	ZAR	9.86	11.00
USD Index	102.55					<b>EQUITIES</b>		
EUR/USD	1.0715	0.0018	0.0058	0.0117	0.0246		<b>Index</b>	
USD/JPY	134.27	-0.18	-0.65	-1.57	-4.04	NZX50	11,266	
GBP/USD	1.2540	0.0002	0.0009	0.0023	0.0063	ASX200	7,121	
EUR/GBP	0.8544	0.0013	0.0040	0.0078	0.0152	Dow Jones	33,180	
						S&P 500	4,115	
						FTSE100	7,593	
						DAX 30	14,446	
						Nikkei	28,234	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>				
		<b>Mid</b>		<b>Mid</b>				
30 day bank bills		2.04%		0.61%				
90 day bank bills		2.52%		1.24%				
1 year swap		3.62%		2.92%				
2 year swap		3.97%		3.41%				
3 year swap		4.04%		3.51%				
5 year swap		4.04%		3.78%				
10 year swap		4.11%		3.98%				
3 year Govt bond		3.53%		3.08%				
5 year Govt bond		3.57%		3.29%				
10 year Govt bond		3.77%		3.54%				
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	123.94	
						Gold	1,852.59	
						Silver	22.06	
						Iron Ore	146.50	
						CRB Index	348.58	
							<b>NZD</b>	
						NZ Carbon	76.80	

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