

Market Alert

Monday 11 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6192	-0.0010
NZD/AUD	0.9020	-0.0030
NZD/JPY	84.19	-1.58
NZD/EUR	0.6074	-0.0098
NZD/GBP	0.5147	-0.0033
NZD/CNH	4.1283	0.0000
AUD/USD	0.6848	0.0011
AUD/EUR	0.6722	-0.0087
EUR/USD	1.0183	0.0149
USD/CNH	6.6839	0.0000
GBP/USD	1.2027	0.0056
EUR/GBP	0.8460	0.0083

INT RATES	NZ	Australia
OCR/Cash	2.00%	1.35%
90 day bills	2.93%	2.01%
2 year swap	3.82%	3.40%
10 year Govt	3.70%	3.56%

Northern hemisphere rugby bounced back

With all four Northern versus Southern hemisphere series set to be decided in their final games! Unfortunately Nick Kyrgios couldn't quite finish Wimbledon on a high, but at least he added to the controversy, while even Formula 1 is shaping up for a competitive finish to the season!

The US jobs report showed that 372,000 new jobs were added in June, higher than the 268,000 estimate and slightly below May's revised 384,000 print.

The headline numbers were in line with the average monthly gain of 383,000 over the prior 3 months, re-enforcing concerns about the tight labour market. The unemployment rate remained steady at 3.6% while average hourly earnings rose 0.3%. The participation rate was slightly disappointing, falling to 62.2% against forecasts of 62.3%, which highlighted that many Americans remain reluctant to return to the workforce.

We also had a couple of Fed members update their view on the US economy, with Atlanta Fed President, Raphael Bostic, stating, "I'm slightly less concerned about wage inflation but only slightly (as there is) still a lot of labour market momentum. I am fully supportive of 75 bps in July." While the NY President, John C Williams, added "The debate of 50-75 basis points is the right position for the July meeting. There is more data to come, but the Fed still needs to move expeditiously to more normal rate levels. I expect a Fed funds rate at 3.0% to 3.5% by year end, but there is a lot of uncertainty after that."

China's annual inflation rate climbed to 2.5% in June from 2.1% May in what was the country's highest print since July 2020 as food price inflation reached its highest level in 21 months. Meanwhile, producer price inflation eased to a 15-month low of 6.1% in June from 6.4% in May for the 18th consecutive month of slowing producer prices amid China's zero COVID-19 strategy and fears about a potential global recession.

The New Zealand Truckometer index confirmed what we already knew ... the local economy is on the verge of a technical recession after the Light Traffic index fell 3.4% and the Heavy Traffic index contracted 2.7% in June "primarily due to supply-side challenges, (although) demand is also set to fall as the Reserve Bank's inflation-fighting efforts kick in later in the year."

Financial markets were reasonably non-committal about the US employment data with equity and commodity markets mixed although oil gained 3.0%. Bond yields firmed with the US 10-year yield 10 points higher at 3.10%, while the NZD and AUD have opened weaker this morning.

It's shaping up to be a busy week

This week, the focus for traders will be on the macro-outlook with the US inflation report expected to produce a 40-year high 8.8%, while we also have Chinese and UK GDP. We also have the monetary policy decisions in Canada, with 0.75bps expected, and New Zealand, most likely 50bps, which will offer insights as to each country's respective economic recoveries. The US corporate earnings season will also occupy investors attentions.

RIP Japan's longest serving Prime Minister and founder of 'Abenomics's' Shinzo Abe.



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Daily Rates

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FX	Spot Mid	FECs (mid)				Spot Mid		
		1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.40					CAD	0.8017	0.8864
NZD/USD	0.6192	-0.0002	-0.0006	-0.0010	-0.0024	CHF	0.6045	0.6676
NZD/AUD	0.9090	-0.0006	-0.0018	-0.0030	-0.0037	CNY	4.1459	4.5920
NZD/JPY	83.79	-0.19	-0.66	-1.58	-3.40	DKK	4.5225	5.0016
NZD/EUR	0.5935	-0.0015	-0.0047	-0.0098	-0.0187	FJD	1.3523	1.4955
NZD/GBP	0.5115	-0.0005	-0.0015	-0.0033	-0.0059	HKD	4.8598	5.3747
						KRW	801.67	886.60
AU TWI	61.60					MYR	2.7400	3.0302
AUD/USD	0.6813	0.0002	0.0007	0.0011	0.0002	NOK	6.2322	6.8924
AUD/NZD	0.6535	0.0006	0.0021	0.0034	0.0034	SEK	6.5053	7.1944
AUD/JPY	93.23	-0.16	-0.55	-1.46	-3.41	SGD	0.8654	0.9571
AUD/EUR	0.6722	-0.0012	-0.0039	-0.0087	-0.0181	TWD	18.43	20.38
AUD/GBP	0.5692	-0.0002	-0.0005	-0.0018	-0.0043	ZAR	10.44	11.55
USD Index	106.90					EQUITIES		
EUR/USD	1.0183	0.0021	0.0068	0.0149	0.0284		Index	
USD/JPY	136.08	-0.28	-0.94	-2.34	-5.18	NZX50		11,169
GBP/USD	1.2027	0.0007	0.0023	0.0056	0.0097	ASX200		6,678
EUR/GBP	0.8460	0.0013	0.0040	0.0083	0.0165	Dow Jones		31,338
						S&P 500		3,899
						FTSE100		7,196
						DAX 30		13,015
						Nikkei		26,517
						COMMODITIES		
							USD	
						Brent Crude		107.02
						Gold		1,741.82
						Silver		19.30
						Iron Ore		113.74
						CRB Index		307.07
							NZD	
						NZ Carbon		73.00

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	2.49%		1.43%
90 day bank bills	2.93%		2.01%
1 year swap	3.76%		3.11%
2 year swap	3.82%		3.40%
3 year swap	3.78%		3.43%
5 year swap	3.71%		3.57%
10 year swap	3.78%		3.82%
3 year Govt bond	3.44%		2.96%
5 year Govt bond	3.50%		3.23%
10 year Govt bond	3.70%		3.56%

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