

Market Alert

Wednesday 27 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6228	-0.0012
NZD/AUD	0.8982	-0.0027
NZD/JPY	85.20	-1.77
NZD/EUR	0.6152	-0.0103
NZD/GBP	0.5178	-0.0038
NZD/CNH	4.2160	-0.0260
AUD/USD	0.6934	0.0006
AUD/EUR	0.6847	-0.0096
EUR/USD	1.0123	0.0150
USD/CNH	6.7684	-0.0278
GBP/USD	1.2023	0.0062
EUR/GBP	0.8418	0.0080

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.17%	2.30%
2 year swap	3.97%	3.42%
10 year Govt	3.65%	3.41%

The trend is your friend

In a worryingly familiar trend the IMF has, yet again, lowered their 2022 growth forecasts for the global economy ... this time to 3.2%, from April's 3.6%. The US economy is now projected to grow 2.3% this year, down from 3.7%, China's GDP is expected to expand 3.3%, compared to the prior 4.4% projection, while Eurozone GDP is expected at 2.6%.

Global inflation has also been revised up due to higher food and energy prices and is expected to reach 6.6% in advanced

economies and 9.5% in emerging and developing economies, reflecting upgrades of 0.9% and 0.8% respectively. In 2023, it is expected the current round of monetary tightening will start to impact, with global growth dropping to just 2.9%.

In other news, June US new home sales fell 8.1% on the month to a seasonally adjusted annual rate of 590,000, but on the positive side, the S&P CoreLogic Case-Shiller home price index showed house prices jumped 20.5% in the year to May. US July consumer confidence eased to 95.7, against the 97.2 expected, while the Richmond Fed manufacturing index surprised, headlining at 0 against expectations of -13.

Gazprom has once again reduced flows through the Nord Stream pipeline due to 'maintenance', prompting EU countries to reach an agreement today to cut gas usage by 15% ahead of next winter. This saw European natural gas prices surge by almost 20% overnight, while the German Green party is said to be rethinking its nuclear energy strategy!

ECB council member, Pablo Hernández de Cos, won today's understatement award with, *"The risks to inflation remain on the upside and have intensified, particularly in the short term. Risks include lasting deterioration of the Eurozone economy and persistently high energy and food prices."* No wonder he gets paid the big bucks!

Financial markets were subdued ahead of tomorrow morning's Federal Reserve

decision. Markets are anticipating a 75bps increase, with future adjustments 'data dependant'. After this morning's closing bell Microsoft and Alphabet earnings are due, which could add to the pessimistic tone that equity markets closed on. This equity weakness weighed on the NZD and AUD, while the EUR fell a full percentage point. Bond markets were also quiet while commodity markets were mixed.

Don't worry ... Joe Public will cover that cheque!

Following on from former RBNZ head Graeme Wheeler's cutting remarks on the performance of the RBNZ through the pandemic, the NZ Treasury Department has confirmed that they began making payments to the RBNZ to offset losses on bonds bought during their Covid QE programme.

With monthly payments of NZD150-NZD200 million having started in May, the public liability has climbed to approximately NZD8.8 billion and, under the terms of the indemnity, the Treasury is required to make the payments to offset the RBNZ's declining net interest income. But the costs could be even higher as, *"The amount required to be paid by the Treasury each month will be dependent on interest rates at the time of the transaction and the bonds the RBNZ will be selling. Further increases to interest rates, or a quicker LSAP unwind, will require larger payments to be made to cover the RBNZ's losses."*



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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	71.30					CAD	0.8029	0.8939
NZD/USD	0.6228	-0.0001	-0.0005	-0.0012	-0.0027	CHF	0.5995	0.6676
NZD/AUD	0.8982	-0.0006	-0.0016	-0.0027	-0.0041	CNY	4.2163	4.6925
NZD/JPY	85.20	-0.22	-0.74	-1.77	-3.71	DKK	4.5784	5.0973
NZD/EUR	0.6152	-0.0015	-0.0047	-0.0103	-0.0200	FJD	1.3548	1.5084
NZD/GBP	0.5178	-0.0006	-0.0017	-0.0038	-0.0071	HKD	4.8888	5.4430
						KRW	816.54	909.10
AU TWI	63.00					MYR	2.7740	3.0884
AUD/USD	0.6813	0.0003	0.0006	0.0006	-0.0013	NOK	6.1666	6.8656
AUD/NZD	0.6535	0.0006	0.0019	0.0029	0.0036	SEK	6.4283	7.1573
AUD/JPY	94.85	-0.19	-0.65	-1.72	-3.76	SGD	0.8653	0.9634
AUD/EUR	0.6847	-0.0013	-0.0041	-0.0096	-0.0195	TWD	18.66	20.78
AUD/GBP	0.5765	-0.0003	-0.0008	-0.0026	-0.0057	ZAR	10.54	11.74
USD Index	107.17					EQUITIES		
EUR/USD	1.0123	0.0023	0.0068	0.0150	0.0277		Index	
USD/JPY	136.77	-0.33	-1.06	-2.58	-5.25	NZX50	11,167	
GBP/USD	1.2023	0.0010	0.0028	0.0062	0.0097	ASX200	6,807	
EUR/GBP	0.8418	0.0012	0.0037	0.0080	0.0160	Dow Jones	31,713	
						S&P 500	3,919	
INTEREST RATES		New Zealand		Australia		FTSE100	7,306	
		Mid		Mid		DAX 30	13,097	
30 day bank bills		2.79%		1.73%		Nikkei	27,655	
90 day bank bills		3.17%		2.30%		COMMODITIES		
1 year swap		3.91%		3.30%			USD	
2 year swap		3.97%		3.42%		Brent Crude	104.15	
3 year swap		3.89%		3.42%		Gold	1,717.49	
5 year swap		3.78%		3.40%		Silver	18.61	
10 year swap		3.74%		3.59%		Iron Ore	105.42	
3 year Govt bond		3.57%		3.05%		CRB Index	306.08	
5 year Govt bond		3.56%		3.20%			NZD	
10 year Govt bond		3.65%		3.41%		NZ Carbon	72.60	

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