

Market Alert

Tuesday 5 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6206	-0.0012
NZD/AUD	0.9042	-0.0030
NZD/JPY	84.19	-1.57
NZD/EUR	0.5953	-0.0100
NZD/GBP	0.5125	-0.0035
NZD/CNH	4.1540	-0.0102
AUD/USD	0.6862	0.0009
AUD/EUR	0.6583	-0.0090
EUR/USD	1.0422	0.0154
USD/CNH	6.6951	-0.0022
GBP/USD	1.2101	0.0055
EUR/GBP	0.8608	0.0085

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.85%	1.88%
2 year swap	3.79%	3.33%
10 year Govt	3.69%	3.65%

While it was a quiet session

The Europeans thought it might be a good time to ramp up some Central Bank politicking!

This saw Christine Lagarde's role as ECB President get just a little tougher after the Bundesbank President, Joachim Nagel, fired a warning shot at shot against the proposed 'anti-turmoil tool!' The turmoil in the Italian bond markets in June was precipitated by the governing council's pledge to develop a crisis tool intended to support weaker bond markets. However, the speed of Ms. Lagarde's shift from one of talking tough to combat inflation to that

of supporting its weaker bond markets led to Mr. Nagel's warning, "*Monetary policy must not be driven by what are often very short-lived developments in the financial markets. Unusual monetary policy measures to combat fragmentation can be justified only in exceptional circumstances and under narrowly-defined conditions.*" The language used resonated with past legal issues where the validity of such instruments were tested in Germany's constitutional courts.

Speaking of Germany, the head of the German trade unions, in an interview with the newspaper *Bild*, announced, "*Because of the gas bottlenecks, entire industries are in danger of permanently collapsing – aluminium, glass, and the chemical industry. Such a collapse would have massive consequences for the entire economy and jobs in Germany.*" Right on cue, one of Europe's largest ammonia plants announced it may have to temporarily close due to a shortage of natural gas.

The FT has a report that the ECB is set to discuss blocking banks from collecting multibillion-euro profits in the rising interest rate markets. This windfall refers to the EUR2.2 trillion subsidised loan scheme that was made available by the ECB to the banks in order to avoid a credit crunch during the COVID-19 crisis, but with the facility still available, the ECB wants to prevent banks from accessing this cheap funding to capitalise on the higher interest rate environment through lending to clients.

In amongst of this central bank jousting and surging oil prices, the EU has offered Nigeria EUR1.29 billion to help it diversify its economy away from oil. Maybe we should start exploiting our offshore oil reserves just so the EU can pay us to stop! Meanwhile, Iran is being forced to discount its already cheap crude as it seeks to maintain its volumes into the Chinese market amid the heavy discounting of Russian oil.

The Australian Melbourne monthly CPI data showed inflation increased 0.3% in the month of June, which was down from May's 1.1% surge, while increasing 4.7% on the year and easing slightly from last month's 4.8%.

Meanwhile, seasonally adjusted building approvals surged 9.9% in May, exceeding expectations for a 2.0% drop, while Australian job advertisements increased 1.4% in June. This should be positive news for all of those New Zealanders who are immigrating to Australia!

In amongst the snoozefest

With the US holiday draining liquidity, financial markets were quiet. European equities were mixed, although European bond yields firmed with the German Bund 10bps higher at 1.33%. Oil prices were up almost 2.0% while European gas prices jumped 4.0% but, in amongst all of this, FX markets were quiet with the AUD the best performer.



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Daily Rates

Tuesday 5 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.40					CAD	0.7983	0.8826
NZD/USD	0.6192	-0.0002	-0.0006	-0.0012	-0.0035	CHF	0.5965	0.6597
NZD/AUD	0.9090	-0.0005	-0.0016	-0.0030	-0.0037	CNY	4.1580	4.5868
NZD/JPY	83.79	-0.19	-0.65	-1.57	-3.40	DKK	4.4296	4.8978
NZD/EUR	0.5935	-0.0015	-0.0045	-0.0100	-0.0186	FJD	1.3521	1.4950
NZD/GBP	0.5115	-0.0005	-0.0015	-0.0035	-0.0064	HKD	4.8690	5.3837
						KRW	804.03	889.02
AU TWI	61.40					MYR	2.7375	3.0268
AUD/USD	0.6813	0.0002	0.0006	0.0009	-0.0009	NOK	6.1076	6.7532
AUD/NZD	0.6535	0.0005	0.0018	0.0033	0.0035	SEK	6.4191	7.0976
AUD/JPY	93.10	-0.16	-0.56	-1.44	-3.39	SGD	0.8662	0.9577
AUD/EUR	0.6583	-0.0013	-0.0038	-0.0090	-0.0182	TWD	18.44	20.39
AUD/GBP	0.5667	-0.0002	-0.0006	-0.0021	-0.0049	ZAR	10.14	11.22
USD Index	105.19					EQUITIES		
EUR/USD	1.0422	0.0023	0.0069	0.0154	0.0272		Index	
USD/JPY	135.67	-0.27	-0.92	-2.28	-4.98	NZX50	10,862	
GBP/USD	1.2101	0.0006	0.0020	0.0055	0.0041	ASX200	6,613	
EUR/GBP	0.8608	0.0013	0.0040	0.0085	0.0162	Dow Jones	31,097	
						S&P 500	3,825	
INTEREST RATES		New Zealand		Australia		FTSE100	7,233	
		Mid		Mid		DAX 30	12,773	
30 day bank bills		2.43%		1.26%		Nikkei	26,154	
90 day bank bills		2.85%		1.88%		COMMODITIES		
1 year swap		3.69%		3.07%			USD	
2 year swap		3.79%		3.33%		Brent Crude	113.83	
3 year swap		3.78%		3.44%		Gold	1,809.12	
5 year swap		3.77%		3.54%		Silver	19.95	
10 year swap		3.87%		3.84%		Iron Ore	114.45	
3 year Govt bond		3.35%		2.95%		CRB Index	311.31	
5 year Govt bond		3.45%		3.25%			NZD	
10 year Govt bond		3.69%		3.65%		NZ Carbon	75.37	

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