

# Market Alert

Thursday 7 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6147	-0.0011
NZD/AUD	0.9064	-0.0032
NZD/JPY	83.53	-1.57
NZD/EUR	0.6037	-0.0101
NZD/GBP	0.5157	-0.0035
NZD/CNH	4.1267	-0.0156
AUD/USD	0.6780	0.0010
AUD/EUR	0.6659	-0.0090
EUR/USD	1.0181	0.0151
USD/CNH	6.7147	-0.0115
GBP/USD	1.1919	0.0055
EUR/GBP	0.8539	0.0084

  

INT RATES	NZ	Australia
OCR/Cash	2.00%	1.35%
90 day bills	2.88%	1.96%
2 year swap	3.75%	3.32%
10 year Govt	3.68%	3.48%

## We should expect more of the same

Fed minutes highlighted policymakers are committed to further increases in Fed funds rate with the consensus that a further 50 or 75 basis point hike in July is appropriate with *"the possibility that an even more restrictive stance could be appropriate if elevated inflation pressures were to persist."*

There was also an explicit warning that *"many participants judged that a significant risk now facing the Committee was that elevated inflation could become entrenched if the public began to question the resolve of the Committee to adjust the stance of policy*

*as warranted."* Previously, the Fed minutes highlighted they would take whatever action was required to achieve their end-result as *"Participants recognized that policy firming could slow the pace of economic growth for a time, but they saw the return of inflation to 2.0% as critical to achieving maximum employment on a sustained basis."*

The majority of participants saw downside risks to growth, including the possibility that Fed hikes will have a larger impact. Although the participants saw little evidence that supply chains were easing enough to help control inflation.

The ISM Services PMI is slightly lower to 55.3 in June of 2022 from 55.9 in May however, continues to point to strong growth for the services sector, beating market expectations of 54.3.

The slight slowdown was due to softer new orders and a fall in employment, while business activity rose faster, and price pressures eased for a second month. Meanwhile, the number of US job openings eased to 11.3 million in May, down slightly from April's 11.7 million and March's 11.9 million peak.

The IMF Chief, Kristalina Georgieva, has announced, *"The global economic outlook has 'darkened significantly' since our last economic update in April. We cannot rule out a possible global recession. We will downgrade our previous forecasts for 3.6% global growth in 2022 and 2023."*

The number of Chinese cities restricting local movement due to COVID-19 have significantly increased to 11 in the last 7 days, with the latest measures affecting regions that account for 14.9% of the country's GDP. Fitch ratings have downgraded its China GDP call to 3.7% this year, down from 4.8% in March! Fitch have also lowered its global 2022 GDP growth forecast by 0.6% to 2.9%.

## Now there's a party I want an invitation to!

With 27-cabinet and senior government officials resigning in the last 48-hours, it is becoming increasingly untenable for the UK Prime Minister, Boris Johnson, to maintain power, but what a leaving party it's going to be when he eventually falls on his sword!

Following yesterday's carnage, oil spent most of the session trading water which is a little surprising given that global supply remains tight, and that Russian oil supply will decline further as we move through the year. Mind you, CitiBank has turned negative suggesting Brent will fall to USD65 should we enter into a global recession. US equity markets performed well despite the hawkish tone of the Fed's minutes while European markets recovered strongly rallied 1.0-2.0% across the board. The minutes also saw bond yield recover some of their shine, with the US 10-Year T-bond 12bp higher to 2.925%, while the NZD and AUD eased a touch.



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# Daily Rates

Thursday 7 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.8016	0.8842
NZD/USD	0.6192	-0.0002	-0.0008	-0.0011	-0.0022	CHF	0.5971	0.6586
NZD/AUD	0.9090	-0.0005	-0.0020	-0.0032	-0.0039	CNY	4.1135	4.5389
NZD/JPY	83.79	-0.17	-0.68	-1.57	-3.36	DKK	4.4927	4.9554
NZD/EUR	0.5935	-0.0014	-0.0049	-0.0101	-0.0192	FJD	1.3501	1.4891
NZD/GBP	0.5115	-0.0004	-0.0017	-0.0035	-0.0066	HKD	4.8232	5.3199
						KRW	801.74	884.30
AU TWI	61.20					MYR	2.7188	2.9988
AUD/USD	0.6813	0.0002	0.0007	0.0010	-0.0002	NOK	6.2318	6.8735
AUD/NZD	0.6535	0.0005	0.0023	0.0035	0.0036	SEK	6.4797	7.1464
AUD/JPY	92.16	-0.14	-0.56	-1.44	-3.34	SGD	0.8637	0.9526
AUD/EUR	0.6659	-0.0012	-0.0040	-0.0090	-0.0186	TWD	18.32	20.20
AUD/GBP	0.5688	-0.0002	-0.0007	-0.0019	-0.0047	ZAR	10.32	11.39
USD Index	107.07					<b>EQUITIES</b>		
EUR/USD	1.0181	0.0021	0.0070	0.0151	0.0288		<b>Index</b>	
USD/JPY	135.92	-0.25	-0.94	-2.32	-5.13	NZX50	11,141	
GBP/USD	1.1919	0.0007	0.0020	0.0055	0.0099	ASX200	6,595	
EUR/GBP	0.8539	0.0012	0.0041	0.0084	0.0165	Dow Jones	31,021	
						S&P 500	3,861	
						FTSE100	7,108	
						DAX 30	12,595	
						Nikkei	26,108	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Mid</b>		<b>Mid</b>			<b>USD</b>	
30 day bank bills		2.46%		1.39%		Brent Crude	100.52	
90 day bank bills		2.88%		1.96%		Gold	1,739.47	
1 year swap		3.69%		3.06%		Silver	19.19	
2 year swap		3.75%		3.32%		Iron Ore	113.61	
3 year swap		3.73%		3.39%		CRB Index	294.64	
5 year swap		3.68%		3.42%			<b>NZD</b>	
10 year swap		3.77%		3.74%		NZ Carbon	74.75	
3 year Govt bond		3.37%		2.88%				
5 year Govt bond		3.44%		3.14%				
10 year Govt bond		3.68%		3.48%				

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