

Market Alert

Friday 8 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6178	-0.0012
NZD/AUD	0.9029	-0.0033
NZD/JPY	84.03	-1.59
NZD/EUR	0.6079	-0.0100
NZD/GBP	0.5137	-0.0034
NZD/CNH	4.1357	-0.0157
AUD/USD	0.6844	0.0010
AUD/EUR	0.6732	-0.0088
EUR/USD	1.0163	0.0146
USD/CNH	6.6930	-0.0155
GBP/USD	1.2026	0.0053
EUR/GBP	0.8448	0.0082

INT RATES	NZ	Australia
OCR/Cash	2.00%	1.35%
90 day bills	2.91%	1.98%
2 year swap	3.79%	3.40%
10 year Govt	3.70%	3.55%

The Prime Minister who wanted to be President ...

... is no more. 'Bye, 'bye, BoJo! — but wait, Boris Johnson has expressed his desire to remain in office as Prime Minister until the party conference in October ... which has nothing to do with the planned party in September, at the PM's country residence, Chequers, to celebrate his latest wedding!

In the US, the St. Louis Fed President, and perma-hawk, James Bullard, has set out his version of the Fed's playbook stating,

"People are mistaking a slowdown in growth for a recession. A 75bp hike in July would make a lot of sense. Once at 3.5%, we could see where we are on inflation and then could make 'tweaks' including possible rate cut. I expect most of the disinflation to come in 2023 rather than 2022. High inflation is straining the Fed's credibility. Rather than stagflation, the better bet is growth will slow to trend and inflation will come under control rapidly" Fed Reserve Governor, Christopher Waller, then added *"We need to move to a much more restrictive setting. We need to frontload rate hikes, large increases early. After we get to neutral, then we can flatten out the increases."*

The Atlanta Fed GDPNow tracker has upgraded its Q2 forecast to -1.9% from -2.1%, although ING has forecast EUR/USD could reach 0.9500 on a break of 1.0000 while Goldman Sachs has warned that with *"US core CPI inflation continuing to surprise to the upside this year, and with core CPI beating expectations in each of the last 2 months, and in 4 of the last 6 reports, the magnitude of these surprises is beginning to rival those of the 1960s overheating (that ultimately led to) stagflation in the 1970s!"* Finally, US initial claims increased 4k to 235k.

Minutes from the June ECB Monetary Policy meeting showed most ECB policy makers favoured a 25bp rate hike in July, although some officials preferred to keep the door open for a larger increase.

The Australian trade balance surged to an incredible AUD15.96 billion in the month of May, against an expected AUD10.72 billion. This was Australia's largest trade surplus on record as exports jumped 9.5% on the month, amid a surge in shipments of coal and LNG, while imports climbed 5.8%.

A UBS survey of the top 30 central banks found that, on average, central bank FX managers plan to hold about 5.8% of their reserves in Yuan within the next 10 years, which would represent a sharp increase from current levels of 2.9% reported by the IMF in late June. Meanwhile, average US dollar holdings dropped to 63% in June, down from 69% last year.

Remember when the price of nickel on the LME skyrocketed to over USD100,000 a ton and Xiang Guangda's short position was more than USD10 billion underwater? Well, it helped that the Chinese owners of the LME cancelled all of the trades above USD50,000, but with the price at USD21,800 he's closed out his position for a loss of 'just' USD1 billion!

Ahead of tonight's non-farm payrolls, financial markets staged a mini-recovery with equities, commodities and bond yields all firming modestly. This saw the US 10-year yield firm 7bp to 3.00% while the NZD and AUD will close the US trading day near their session highs.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 8 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.8016	0.8878
NZD/USD	0.6192	-0.0002	-0.0006	-0.0012	-0.0037	CHF	0.6016	0.6665
NZD/AUD	0.9090	-0.0005	-0.0018	-0.0033	-0.0040	CNY	4.1331	4.5744
NZD/JPY	83.79	-0.19	-0.65	-1.59	-3.39	DKK	4.5220	5.0095
NZD/EUR	0.5935	-0.0014	-0.0047	-0.0100	-0.0187	FJD	1.3507	1.4963
NZD/GBP	0.5115	-0.0004	-0.0015	-0.0034	-0.0061	HKD	4.8480	5.3698
						KRW	801.18	887.41
AU TWI	61.50					MYR	2.7344	3.0287
AUD/USD	0.6813	0.0002	0.0006	0.0010	-0.0002	NOK	6.2236	6.8945
AUD/NZD	0.6535	0.0006	0.0020	0.0036	0.0037	SEK	6.5090	7.2107
AUD/JPY	93.05	-0.15	-0.54	-1.43	-3.38	SGD	0.8649	0.9580
AUD/EUR	0.6732	-0.0012	-0.0038	-0.0088	-0.0180	TWD	18.37	20.35
AUD/GBP	0.5689	-0.0002	-0.0005	-0.0018	-0.0044	ZAR	10.31	11.42
USD Index	107.10					EQUITIES		
EUR/USD	1.0163	0.0021	0.0067	0.0146	0.0275		Index	
USD/JPY	135.99	-0.27	-0.91	-2.30	-5.09	NZX50	11,112	
GBP/USD	1.2026	0.0006	0.0020	0.0053	0.0095	ASX200	6,648	
EUR/GBP	0.8448	0.0012	0.0039	0.0082	0.0160	Dow Jones	31,397	
						S&P 500	3,900	
INTEREST RATES		New Zealand		Australia		FTSE100	7,189	
		Mid		Mid		DAX 30	12,843	
30 day bank bills		2.48%		1.40%		Nikkei	26,491	
90 day bank bills		2.91%		1.98%		COMMODITIES		
1 year swap		3.75%		3.12%			USD	
2 year swap		3.79%		3.40%		Brent Crude	104.59	
3 year swap		3.76%		3.46%		Gold	1,740.48	
5 year swap		3.70%		3.50%		Silver	19.22	
10 year swap		3.78%		3.77%		Iron Ore	112.38	
3 year Govt bond		3.41%		2.92%		CRB Index	304.21	
5 year Govt bond		3.47%		3.20%			NZD	
10 year Govt bond		3.70%		3.55%		NZ Carbon	74.00	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED