

Market Alert

Monday 1 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6288	-0.0011
NZD/AUD	0.8954	-0.0035
NZD/JPY	83.79	-1.66
NZD/EUR	0.6115	-0.0100
NZD/GBP	0.5167	-0.0036
NZD/CNH	4.2400	0.0000
AUD/USD	0.6963	0.0014
AUD/EUR	0.6812	-0.0085
EUR/USD	1.0218	0.0146
USD/CNH	6.7493	0.0000
GBP/USD	1.2166	0.0056
EUR/GBP	0.8393	0.0074

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.17%	2.17%
2 year swap	3.73%	3.04%
10 year Govt	3.47%	3.12%

Dead cat bounce!

Regardless of the fact that the Federal Reserve raised US rates 75bps last week, and that there is another 100pips of hikes priced in by the end of the year; and that US consumer confidence hit an all-time low in June, and that inflation is at a 40-year high, and that the PPIs are at a 45-year high ... US equity markets last week marked their best performances in 2022! Now, according to Investopedia, "A dead cat bounce is a temporary, short-lived recovery of asset prices from a prolonged

decline or a bear market that is followed by the continuation of the downtrend." I'm no equity expert but there does feel like there may be a little pent-up optimism when markets start to rally on the 'bad news is good news' rationale!

Friday night saw a continuation of mixed economic releases as indicators improved slightly from their lows. First up was the Fed's preferred inflation measure, the PCE Deflator, which reached 1.0% on the month and 6.8% on the year, slightly ahead of forecasts. The University of Michigan consumer sentiment index improved slightly to 51.5, while the 1-year and 5 to 10-year inflation expectations reached 5.2% and 2.9% respectively. Finally, the Chicago 'business' PMIs fell to 52.1 when 55 had been expected, while personal spending jumped 1.1% in June.

In China, the official NBS manufacturing PMIs fell unexpectedly to 49.0 in July from June's 50.2, and against forecasts of 50.4, with all of the key inputs such as new orders, new export orders and employment, all falling into contractionary territory. Fortunately, there was some mildly positive news in that the NBS non-manufacturing PMIs remained in positive territory with the July headline number declining to 53.8 in July, from June's 13-month high of 54.7.

At least there was also some positive news from the Eurozone after the Q2 GDP

release highlighted that the Eurozone avoided a nasty Q2 downturn that the US and China encountered, after GDP in the Eurozone economy expanded 0.7% on the quarter and 4.0% on the year.

All up, the positive equity news merely brought the NZD and AUD to the top of their ranges, although the US 10-year T-bond yield plummeted to 2.65% to be 80bps off its highs.

The key drivers

With two non-farm payroll releases and two inflation updates ahead of the next FOMC meeting, the markets will be overly focused on the data releases as we enter the northern hemisphere summer season.

In the US this week, the focus will be on Friday's July labour report, while we also have speeches by several Fed officials, ISM PMIs, and the last of the earnings reports. In the UK we have the BoE's MPC meeting, with the market split between a 25bps and a 50bps hike.

In China, the spotlight will be on July PMI readings with the Q2 current account update. In Australia, the focus will be on the RBA's interest rate decision following a slightly softer increase in the headline inflation rate last quarter, which has strengthened bets for a 50bps rate hike, while in NZ the Q2 job data is expected to show a tightening in the labour market.



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Daily Rates

Monday 1 August 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.40					CAD	0.8044	0.8948
NZD/USD	0.6288	-0.0001	-0.0004	-0.0011	-0.0033	CHF	0.5982	0.6634
NZD/AUD	0.8954	-0.0007	-0.0018	-0.0035	-0.0057	CNY	4.2237	4.7017
NZD/JPY	83.79	-0.20	-0.69	-1.66	-3.44	DKK	4.5770	5.0683
NZD/EUR	0.6115	-0.0014	-0.0045	-0.0100	-0.0193	FJD	1.3610	1.5071
NZD/GBP	0.5167	-0.0004	-0.0015	-0.0036	-0.0067	HKD	4.9355	5.4653
						KRW	819.31	907.26
AU TWI	63.10					MYR	2.7969	3.0971
AUD/USD	0.6813	0.0004	0.0009	0.0014	0.0006	NOK	6.0686	6.7201
AUD/NZD	0.6535	0.0005	0.0021	0.0038	0.0059	SEK	6.3909	7.0769
AUD/JPY	93.06	-0.18	-0.60	-1.50	-3.30	SGD	0.8680	0.9612
AUD/EUR	0.6812	-0.0012	-0.0037	-0.0085	-0.0176	TWD	18.87	20.89
AUD/GBP	0.5722	-0.0001	-0.0006	-0.0019	-0.0041	ZAR	10.46	11.59
USD Index	105.83					EQUITIES		
EUR/USD	1.0218	0.0022	0.0067	0.0146	0.0273		Index	
USD/JPY	133.19	-0.30	-1.01	-2.42	-5.01	NZX50	11,493	
GBP/USD	1.2166	0.0008	0.0026	0.0056	0.0096	ASX200	6,945	
EUR/GBP	0.8393	0.0012	0.0036	0.0074	0.0155	Dow Jones	32,845	
						S&P 500	4,130	
INTEREST RATES		New Zealand		Australia		FTSE100	7,423	
		Mid		Mid		DAX 30	13,484	
30 day bank bills		2.82%		1.70%		Nikkei	27,802	
90 day bank bills		3.17%		2.17%		COMMODITIES		
1 year swap		3.76%		3.00%			USD	
2 year swap		3.73%		3.04%		Brent Crude	103.97	
3 year swap		3.64%		2.99%		Gold	1,765.22	
5 year swap		3.54%		3.06%		Silver	20.32	
10 year swap		3.57%		3.36%		Iron Ore	115.88	
3 year Govt bond		3.29%		2.67%		CRB Index	312.08	
5 year Govt bond		3.30%		2.84%			NZD	
10 year Govt bond		3.47%		3.12%		NZ Carbon	80.30	

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