

Market Alert

Monday 8 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6229	-0.0007
NZD/AUD	0.9025	-0.0032
NZD/JPY	84.18	-1.69
NZD/EUR	0.6130	-0.0096
NZD/GBP	0.5152	-0.0031
NZD/CNH	4.2419	0.0000
AUD/USD	0.6913	0.0017
AUD/EUR	0.6787	-0.0084
EUR/USD	1.0183	0.0148
USD/CNH	6.7650	0.0000
GBP/USD	1.2081	0.0059
EUR/GBP	0.8434	0.0080

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.85%
90 day bills	3.25%	2.24%
2 year swap	3.77%	3.19%
10 year Govt	3.41%	3.15%

What an exciting weekend

With the start of the rugby championship and the Premier League, but after the All-Blacks mauling, the poor performance from Manchester United, and the fact my football team were stuffed 6-0 on Saturday, let's hope our children become track and field stars as we concentrate on the Commonwealth games!

The US labour market continues to confound expectations after non-farm payrolls rose 528,000 in July, exceeding market forecasts of 250,000, while the June number was

also revised higher to 398,000. This means that total nonfarm employment has returned to the pre-pandemic levels having increased by a whopping 22.0 million since hitting a pandemic-trough low in April 2020. The unemployment rate fell to 3.5% while average hourly earnings accelerated 0.5% on the month and 5.2% on the year. The struggle of finding suitable workers was again illustrated by a decline in the worker participation rate to 62.1%.

There was also a surprise in the Chinese data after their trade surplus unexpectedly surged to a record high of USD101.26 billion in July, which was ahead of forecasts at USD90 billion. Annualised exports surged 18% to their highest level in six months, while imports grew at a slower 2.3%. The trade surplus with the US was at USD41.5 billion, little changed from June's print while exports unexpectedly increased by 18% to a seven-month high of USD332.96 billion. Slightly concerning was the increase in trade with Russia as exports grew 22.2% to USD6.77 billion, while imports jumped 49.3% to USD10 billion, no doubt driven by oil flows.

In a possible pre-cursor to a European bond crisis, Moody's ratings agency cut Italy's outlook to negative from stable on Friday, weeks after the Prime Minister, Mario Draghi, resigned as "Risks to Italy's credit profile have been accumulating more recently

because of the economic impact of Russia's invasion of Ukraine and domestic political developments, both of which could have material credit implications."

International equity bourses closed last week mixed after the US jobs report showed larger-than-expected payroll gains and wage growth, which emphasised the Federal Reserve will need to maintain an aggressive tightening cycle.

Fed member, Mary Daly, also announced, "The Fed is far from done in combating inflation. A 50bps increase is definitely in play," while Fed Governor, Michelle Bowman, added she supports possible 0.75bps hikes as, "My view is that similarly sized increases should be on the table until we see inflation declining in a consistent, meaningful, and lasting way." This increased talk on US rates supported bond yields, with the T-bond 15pips higher at 2.84%, while the stronger USD saw the NZD and AUD come under selling pressure.

In the week ahead, attention turns to the US inflation report, which is expected to show that prices rose at a softer pace, driven by a drop in gasoline costs, while we also have PPIs and the University of Michigan sentiment index. In the UK we have the preliminary Q2 GDP release, while Europe will release their final estimates of July's consumer prices, which should confirm inflation eased slightly in Germany and Italy but continued to accelerate in France and Spain. We also have Australian consumer and business confidence releases.



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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	71.40					CAD	0.8052	0.8938
NZD/USD	0.6229	-0.0001	-0.0003	-0.0007	0.0001	CHF	0.5987	0.6617
NZD/AUD	0.9025	-0.0006	-0.0018	-0.0032	-0.0044	CNY	4.2124	4.6593
NZD/JPY	84.18	-0.20	-0.70	-1.69	-3.46	DKK	4.5515	5.0513
NZD/EUR	0.6130	-0.0014	-0.0044	-0.0096	-0.0181	FJD	1.3547	1.5035
NZD/GBP	0.5152	-0.0004	-0.0014	-0.0031	-0.0054	HKD	4.8892	5.4261
						KRW	811.17	900.24
AU TWI	62.70					MYR	2.7744	3.0791
AUD/USD	0.6813	0.0003	0.0010	0.0017	0.0011	NOK	6.0859	6.7541
AUD/NZD	0.6535	0.0003	0.0021	0.0035	0.0044	SEK	6.3418	7.0382
AUD/JPY	93.31	-0.17	-0.60	-1.56	-3.42	SGD	0.8603	0.9548
AUD/EUR	0.6787	-0.0011	-0.0036	-0.0084	-0.0169	TWD	18.66	20.71
AUD/GBP	0.5718	-0.0001	-0.0004	-0.0015	-0.0033	ZAR	10.44	11.59
USD Index	106.58					EQUITIES		
EUR/USD	1.0183	0.0022	0.0067	0.0148	0.0282		Index	
USD/JPY	134.97	-0.30	-1.06	-2.57	-5.38	NZX50	11,728	
GBP/USD	1.2081	0.0007	0.0025	0.0059	0.0097	ASX200	7,016	
EUR/GBP	0.8434	0.0013	0.0037	0.0080	0.0161	Dow Jones	32,803	
						S&P 500	4,145	
						FTSE100	7,440	
						DAX 30	13,574	
						Nikkei	28,176	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		2.92%		1.84%		Brent Crude	94.92	
90 day bank bills		3.25%		2.24%		Gold	1,774.15	
1 year swap		3.83%		3.06%		Silver	19.88	
2 year swap		3.77%		3.19%		Iron Ore	109.20	
3 year swap		3.65%		3.30%		CRB Index	300.45	
5 year swap		3.50%		3.14%			NZD	
10 year swap		3.47%		3.34%		NZ Carbon	79.80	
3 year Govt bond		3.33%		2.83%				
5 year Govt bond		3.30%		2.93%				
10 year Govt bond		3.41%		3.15%				

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