

Market Alert

Wednesday 20 April, 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6731	-0.0023
NZD/AUD	0.9122	-0.0062
NZD/JPY	86.75	-1.07
NZD/EUR	0.6240	-0.0085
NZD/GBP	0.5177	-0.0023
NZD/CNH	4.3225	0.0203
AUD/USD	0.7379	0.0025
AUD/EUR	0.6841	-0.0047
EUR/USD	1.0786	0.0112
USD/CNH	6.4220	0.0527
GBP/USD	1.3000	0.0012
EUR/GBP	0.8297	0.0078

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.10%
90 day bills	1.82%	0.33%
2 year swap	3.55%	2.45%
10 year Govt	3.45%	3.06%

There's a lot to get through, so let's not mention the football

First up, the least surprising headline of the morning, the IMF have lowered their 2022 GDP forecasts by 0.8% to 3.6%, and by 0.2% to 3.6% in 2023. The US economy is projected to grow by 3.7% this year with China at 4.4%, and the Euro Area increasing 2.8%. The IMF also sees 2022 inflation at 5.7% in advanced economies and 8.7% in emerging market and developing economies, which is 1.8% and 2.8% higher than projected last January.

The minutes from the RBA's April meeting essentially told us what the local economists had already been telling us. The last line being particularly relevant to a hike later in the year as, "Inflation had picked up and a further increase was expected, with measures of underlying inflation in the March quarter expected to be above 3.0%. Developments have brought forward the likely timing of the first increase in interest rates."

RBNZ Governor, Adrian Orr, was also on the newswires announcing "the current challenge is getting a 'soft landing' over the next couple of years without (generating) a recession. Fiscal support is needed. I expect to be doing more rate increases in the coming quarters (although the) 13 April rate rise was about acting sooner, not about believing we need to do more." While New Zealand's terms of trade has been one of the few successes for the local economy recently, last night's GDT auction has seen a turn for the worse with the overall index falling 3.6%. The main driver being the 4.4% fall in WMP, SMP was down 4.2% while butter also fell 3.7%. On a positive note, service PMIs for March jumped to 51.6 from February's 48.6 which was the index's first expansion after 7 consecutive months of contractions.

In the US Federal Reserve St. Louis President, James Bullard, announced, "There will be no recession. Inflation is far too high, but the Fed has a good plan in place.

Rate hikes will bring inflation expectations down, lowering inflation without hurting the labour market. We can bring inflation under control without going into recession" while Chicago Fed member, Charles Evans, added I'm "comfortable with path that includes two 50 bps hikes and gets rates to 2.25-2.50% by year end." Mind you, Goldman Sachs has assessed the probability of a US recession at 35% over the next 2 years.

Ahead of the G20 meeting, Japanese Finance Minister, Shunichi Suzuki, announced, "FX stability is important" although he declined to comment on currency intervention.

Markets don't seem concerned

Overnight, US equities firmed after a soft open as the focus turned to the Q1 earnings season. Meanwhile, European equities were broadly flat after the GDP downgrades and signs of potentially even faster hiking cycles from major central banks. These risks also weighed on oil, and commodities in general, while threats of higher interest rates saw 10 year yields rise 8-12 points higher. The US at 2.945%, the bund at 0.925%, while the 10 year Australian bond yield jumped 12 points after the RBA minutes were released to 3.10%. In comparison, currencies were rather quiet with the AUD a touch firmer while the NZD was a touch weaker.



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Daily Rates

Wednesday 20 April, 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.10					CAD	0.8495	0.9314
NZD/USD	0.6731	-0.0003	-0.0010	-0.0023	-0.0044	CHF	0.6408	0.7025
NZD/AUD	0.9122	-0.0008	-0.0029	-0.0062	-0.0105	CNY	4.3039	4.7163
NZD/JPY	86.75	-0.10	-0.41	-1.07	-2.69	DKK	4.6421	5.0885
NZD/EUR	0.6240	-0.0010	-0.0036	-0.0085	-0.0192	FJD	1.4261	1.5714
NZD/GBP	0.5177	-0.0001	-0.0008	-0.0023	-0.0055	HKD	5.2781	5.7864
						KRW	835.79	916.29
AU TWI	63.60					MYR	2.8645	3.1330
AUD/USD	0.7379	0.0004	0.0013	0.0025	0.0037	NOK	5.9473	6.5198
AUD/NZD	1.0963	0.0010	0.0035	0.0075	0.0127	SEK	6.4178	7.0357
AUD/JPY	95.11	-0.03	-0.14	-0.53	-1.88	SGD	0.9207	1.0094
AUD/EUR	0.6841	-0.0005	-0.0017	-0.0047	-0.0132	TWD	19.73	21.63
AUD/GBP	0.5676	0.0004	0.0010	0.0014	0.0006	ZAR	10.09	11.07
USD Index	101.00					EQUITIES		
EUR/USD	1.0786	0.0013	0.0046	0.0112	0.0268		Index	
USD/JPY	128.89	-0.10	-0.41	-1.15	-3.18	NZX50	11,836	
GBP/USD	1.3000	-0.0002	0.0000	0.0012	0.0053	ASX200	7,565	
EUR/GBP	0.8297	0.0011	0.0035	0.0078	0.0172	Dow Jones	34,412	
						S&P 500	4,467	
INTEREST			New Zealand		Australia	FTSE100	7,601	
RATES			Mid		Mid	DAX 30	14,153	
30 day bank bills			1.51%		0.04%	Nikkei	26,985	
90 day bank bills			1.82%		0.33%	COMMODITIES		
1 year swap			3.04%		1.57%		USD	
2 year swap			3.55%		2.45%	Brent Crude	107.36	
3 year swap			3.67%		2.72%	Gold	1,947.14	
5 year swap			3.69%		3.05%	Silver	25.15	
10 year swap			3.73%		3.34%	Iron Ore	150.50	
3 year Govt bond			3.26%		2.47%	CRB Index	336.23	
5 year Govt bond			3.37%		2.73%		NZD	
10 year Govt bond			3.47%		3.06%	NZ Carbon	76.85	

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