

# Market Alert

Wednesday 27 April, 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6571	-0.0022
NZD/AUD	0.9210	-0.0057
NZD/JPY	83.76	-1.10
NZD/EUR	0.6176	-0.0087
NZD/GBP	0.5221	-0.0024
NZD/CNH	4.3310	0.0234
AUD/USD	0.7134	0.0021
AUD/EUR	0.6706	-0.0053
EUR/USD	1.0640	0.0116
USD/CNH	6.5917	0.0575
GBP/USD	1.2584	0.0017
EUR/GBP	0.8455	0.0081

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.10%
90 day bills	1.87%	0.46%
2 year swap	3.75%	2.64%
10 year Govt	3.58%	3.10%

## That word, again – ‘stagflation’

The IMF, following on from last week's downgrades, has updated its outlook stating, *“The Asian region faces a stagflationary outlook with growth being lower than previously expected and inflation being higher. A larger-than-expected slowdown in China due to prolonged lockdowns and a longer-than-expected slump in the property market, constitutes a significant risk for Asia. Monetary tightening will be needed in most countries, with speed of tightening depending on domestic inflation*

*developments and external pressures”*. This saw Morgan Stanley cut its Chinese 2022 GDP growth forecast to 4.2%. Meanwhile, Nomura expect another cut to the PBoC's FX Reserve Ratio Requirements following yesterday's cut from 9% to 8%. FYI; the PBoC's intention in reducing their RRR is that it will release foreign currency at financial institutions and therefore support the Yuan.

A growing concern is that most economists are now projecting inflation to peak in Q2 be it in the US, the Euro-zone, or New Zealand, but with China continuing to pursue its 'zero COVID' strategy, we continue to see supply chain disruptions, and expect the situation to worsen with Beijing increasing COVID-19 testing. Shipping and manufacturing delays were already evident when Shanghai went into lockdown, and as Beijing comes under further restrictions, we expect it will continue to impact upon global inflation.

In amongst all the chaos, Elon Musk's USD44 billion purchase of Twitter has equity markets asking, *“how is he going to pay for it?”* The assumption being, *“he'll have to sell some Tesla shares”* which are now off more than 10% on the day as traders front-run him. While the earnings season hasn't exactly set the world alight after GE warning that supply chain disruptions will pressure its business this year, which saw its shares fall 10% as well.

Currently the Dow is off 720 points, the S&P is down 2.5%, and the Nasdaq is off 3.6% on the day and 11% on the month reaching its lowest level since December 2020!

European bourses were also hit hard, falling between 0.50% and 1.50%, while the overall weakness in equities saw a resumption in bond buying which saw the 10-year treasury yield fall 5 points to 2.765%. The bund eased 2 points to 0.81%.

Commodities were also volatile, with oil firming 3.0%, although paled into insignificance after EU natural gas futures rose as much as 17% after it was reported that Russia will halt gas deliveries to Poland from tomorrow. Iron ore was crushed again falling a further 6.2%. Finally, in amongst the carnage, the USD continues to be a major beneficiary surging past the 102.00 level, having spent a day in the 101.00's, which saw the AUD and NZD sell-off 0.5% and 0.75%.

## At the prerereferral

NZ credit card spending increased 3.4% in the year to March, when a modest 0.9% had been expected. This was quite the jump on February's 1.0%, I suspect, people are using their cards to cover the increase in cost-of-living.

This morning we have Australian consumer confidence followed by Q1 CPI this afternoon.



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# Daily Rates

Wednesday 27 April, 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.97					CAD	0.8422	0.9145
NZD/USD	0.6571	-0.0002	-0.0009	-0.0022	-0.0047	CHF	0.6323	0.6866
NZD/AUD	0.9210	-0.0008	-0.0027	-0.0057	-0.0095	CNY	4.3097	4.6790
NZD/JPY	83.76	-0.10	-0.42	-1.10	-2.74	DKK	4.5951	4.9895
NZD/EUR	0.6176	-0.0010	-0.0036	-0.0087	-0.0192	FJD	1.4133	1.5351
NZD/GBP	0.5221	-0.0001	-0.0008	-0.0024	-0.0062	HKD	5.1553	5.5978
						KRW	828.92	900.09
AU TWI	63.00					MYR	2.8633	3.1097
AUD/USD	0.7134	0.0004	0.0011	0.0021	0.0021	NOK	6.0744	6.5955
AUD/NZD	1.0858	0.0009	0.0031	0.0068	0.0113	SEK	6.4674	7.0225
AUD/JPY	90.96	-0.04	-0.19	-0.65	-2.09	SGD	0.9057	0.9834
AUD/EUR	0.6706	-0.0005	-0.0020	-0.0053	-0.0143	TWD	19.30	20.96
AUD/GBP	0.5669	0.0003	0.0007	0.0009	-0.0011	ZAR	10.39	11.28
USD Index	102.36					<b>EQUITIES</b>		
EUR/USD	1.0640	0.0014	0.0049	0.0116	0.0263		<b>Index</b>	
USD/JPY	127.49	-0.12	-0.46	-1.27	-3.30	NZX50	11,813	
GBP/USD	1.2584	-0.0001	0.0003	0.0017	0.0061	ASX200	7,318	
EUR/GBP	0.8455	0.0012	0.0037	0.0081	0.0167	Dow Jones	34,049	
						S&P 500	4,189	
<b>INTEREST</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,386	
<b>RATES</b>			<b>Mid</b>		<b>Mid</b>	DAX 30	13,756	
30 day bank bills			1.53%		0.07%	Nikkei	26,700	
90 day bank bills			1.87%		0.46%	<b>COMMODITIES</b>		
1 year swap			3.28%		1.84%		<b>USD</b>	
2 year swap			3.75%		2.64%	Brent Crude	105.25	
3 year swap			3.86%		2.88%	Gold	1,901.57	
5 year swap			3.87%		3.16%	Silver	23.51	
10 year swap			3.87%		3.33%	Iron Ore	136.50	
3 year Govt bond			3.39%		2.65%	CRB Index	317.76	
5 year Govt bond			3.49%		2.88%		<b>NZD</b>	
10 year Govt bond			3.60%		3.10%	NZ Carbon	75.90	

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