

# Market Alert

Friday 29 April, 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6492	-0.0020
NZD/AUD	0.9141	-0.0047
NZD/JPY	84.97	-1.15
NZD/EUR	0.6179	-0.0087
NZD/GBP	0.5208	-0.0024
NZD/CNH	4.3255	0.0249
AUD/USD	0.7101	0.0015
AUD/EUR	0.6760	-0.0061
EUR/USD	1.0505	0.0117
USD/CNH	6.6632	0.0591
GBP/USD	1.2466	0.0019
EUR/GBP	0.8428	0.0081

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.10%
90 day bills	1.89%	0.53%
2 year swap	3.78%	2.81%
10 year Govt	3.57%	3.08%

## That was a surprise!

Against all expectations, US GDP shrank -1.4% annualised in the 3 months to March for the economy's first contraction since mid-2020. The collapse was due to a record trade deficit, softer inventory growth, and a drop in government spending while personal consumption and non-residential and residential fixed investment remained strong.

The contraction in GDP, at a time when inflation is running at 40-year highs, will inevitably lead to talk of stagflation, particularly with the Fed set to hike interest rates aggressively, however the swing in the trade and inventory numbers

mask underlying domestic demand which should see a swing in the 2Q numbers.

Meanwhile, Germany inflation reached its highest level since 1981 climbing to 7.4% in April, slightly above market expectations at 7.2%. But while the acceleration is slowing, a reversal is not in sight and, if anything, the conflict in Ukraine should contribute to a broadening of these pressures.

## No, it wasn't!

In the least surprising announcement in the history of mankind, the BoJ left its key short-term interest rate unchanged at -0.10%, and the 10-year bond yield target 'around' the 0.00% level. The BoJ also re-affirmed its offer to buy unlimited amounts of the bonds to defend its implicit 10-year yield cap at 0.25%.

Furthermore, in its quarterly report, the BoJ cut their FY22 GDP growth forecasts to 2.9% from 3.8% and revised their inflation forecasts higher to 1.9% from 1.1%. Needless to say, this saw the JPY get crushed as USD/JPY topped out at the 131.25 level while the yuan also continued depreciating with the offshore yuan peaking at 6.6748, as the dollar index targeted the 104.00 level. Naturally this saw the NZD and AUD weaken, with NZD/USD breaching the 0.6500 level while AUD/USD is trading at 0.7100.

And the USD's strength is definitely helping Australian exporters with the

weaker AUD seeing the Q1 export price index jump 18.1%, while the import price index increased +5.1%.

However, it's not quite as good a story in New Zealand, as the March trade balance remained in negative territory at -NZD392 million, but at least it was an improvement on February's -NZD691 million. Exports earned NZD6.67 billion although imports were at NZD7.06 billion with the annual trade deficit at NZD9.11 billion.

New Zealand April business confidence also remains fragile at -42.0, similar to March, although the own activity increased to 8.0 from 3.3 as *"Inflation pressures remain intense. Firms are wary about the outlook, but employment and investment intentions are holding up reasonably well."*

The RBNZ's Deputy Governor, Christian Hawkesby, was on hand to provide some inspiration to the local market stating – no, wait a minute, he gave a speech on macroprudential tools – stating they, *"are an important part of delivering on our responsibility for the stability of the financial system"* and that *"it is important to have a fuller suite of macroprudential tools."* Well I'm glad he cleared that up!

Overnight equity markets outperformed as earnings lifted sentiment, despite the unexpected GDP contraction, while bond yields also firmed with the T-bond up 2 pips to 2.85% while the German CPI print saw the 10-year bund yield jump 10-pips to 0.90%.



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# Daily Rates

Friday 29 April, 2022

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	72.40					CAD	0.8312 0.9091
NZD/USD	0.6492	-0.0001	-0.0007	-0.0020	-0.0044	CHF	0.6310 0.6903
NZD/AUD	0.9141	-0.0006	-0.0023	-0.0047	-0.0076	CNY	4.3006 4.7051
NZD/JPY	84.97	-0.10	-0.45	-1.15	-2.87	DKK	4.5984 5.0299
NZD/EUR	0.6179	-0.0009	-0.0036	-0.0087	-0.0192	FJD	1.4043 1.5365
NZD/GBP	0.5208	-0.0001	-0.0008	-0.0024	-0.0063	HKD	5.0938 5.5725
						KRW	826.25 903.79
AU TWI	62.60					MYR	2.8220 3.0852
AUD/USD	0.7101	0.0004	0.0010	0.0015	0.0011	NOK	6.1063 6.6799
AUD/NZD	1.0940	0.0007	0.0027	0.0057	0.0091	SEK	6.3989 6.9999
AUD/JPY	92.96	-0.04	-0.25	-0.78	-2.38	SGD	0.9004 0.9846
AUD/EUR	0.6760	-0.0005	-0.0023	-0.0061	-0.0156	TWD	19.17 20.97
AUD/GBP	0.5695	0.0005	0.0008	0.0005	-0.0020	ZAR	10.41 11.39
USD Index	103.66					<b>EQUITIES</b>	
EUR/USD	1.0505	0.0013	0.0050	0.0117	0.0264		<b>Index</b>
USD/JPY	130.90	-0.13	-0.53	-1.36	-3.54	NZX50	11,876
GBP/USD	1.2466	0.0000	0.0005	0.0019	0.0067	ASX200	7,357
EUR/GBP	0.8428	0.0012	0.0037	0.0081	0.0166	Dow Jones	33,302
						S&P 500	4,284
<b>INTEREST RATES</b>						FTSE100	7,509
			<b>New Zealand</b>		<b>Australia</b>	DAX 30	13,980
			<b>Mid</b>		<b>Mid</b>	Nikkei	26,848
30 day bank bills			1.53%		0.10%	<b>COMMODITIES</b>	
90 day bank bills			1.89%		0.53%		<b>USD</b>
1 year swap			3.30%		2.11%	Brent Crude	107.22
2 year swap			3.78%		2.81%	Gold	1,895.61
3 year swap			3.89%		3.03%	Silver	23.20
5 year swap			3.90%		3.31%	Iron Ore	137.00
10 year swap			3.85%		3.50%	CRB Index	325.41
3 year Govt bond			3.42%		2.68%		<b>NZD</b>
5 year Govt bond			3.51%		2.86%	NZ Carbon	75.90
10 year Govt bond			3.59%		3.08%		

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