

# Market Alert

Thursday 12 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6293	-0.0018
NZD/AUD	0.9073	-0.0041
NZD/JPY	81.72	-1.08
NZD/EUR	0.5982	-0.0083
NZD/GBP	0.5139	-0.0026
NZD/CNH	4.2537	0.0026
AUD/USD	0.6936	0.0012
AUD/EUR	0.6593	-0.0062
EUR/USD	1.0519	0.0118
USD/CNH	6.7598	0.0235
GBP/USD	1.2245	0.0027
EUR/GBP	0.8592	0.0078

  

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.13%	0.93%
2 year swap	3.74%	3.05%
10 year Govt	3.74%	3.49%

## Inflation is as violent as a mugger ...

as frightening as an armed robber, and as deadly as a hit man! Well said, Mr Ronald Reagan!

As a lot of economists had suggested, US annual inflation rate in the US slowed in April hitting 8.3% from 8.5%. This was less than the 8.1% that the market had forecast as energy prices increased 30.3% while food prices jumped 9.4%. On a monthly basis, consumer prices were up 0.3%, slightly above expectations of 0.2%, but below March's 16-year high of 1.2%. In other US releases, hourly and

weekly earnings decreased 2.6% and 3.4% respectfully, while the government posted a record budget surplus of USD308bn in April.

The 'inflation situation' wasn't particularly pretty in Germany either, flatlining at 0.8% on the month, and 7.4% on the year as consumers paid more for – yes, you guessed it – food and energy! The inflation rate remains at its highest level since German reunification in 1990.

In China, April CPI numbers exceed expectations reaching 2.1% on the year from March's 1.5%, and a monthly increase of 0.4% from 0.0%. Despite the higher than expected print, it is still well within the PBoC's target range leaving plenty of space for further monetary policy easing steps. PPI was also higher than expected reaching 8.0% when 7.7% had been expected.

Overnight inflation releases were broadly in okay line with expectations. This does high-light the challenge central banks face, as interest rate hikes should bring demand into balance with supply, but with the on-going issues of global supply chains, labour shortages and geopolitical tensions, it will make the descent into each individual central banks respective inflation range extremely challenging.

Once again, the headline data release saw US equity markets turn negative. Although, European bourses held up, closing the session in positive territory. Oil also rebounded rallying 5.0% following

yesterday's weakness, while the USD-index was steady, this saw the NZD and AUD flatline. The 10-year treasury yield eased a touch to 2.915%.

## Best of the rest

Fitch Ratings has cut its forecast for China's 2022 GDP growth to 4.3%, from 4.8% warning the lockdown will exacerbate inflationary concerns. *"As supply chain disruptions persist, container freight rates could remain elevated or increase. With Shanghai handling around a fifth of China's port volume and China accounting for 15% of world merchandise exports, shortages of manufactured goods could intensify, adding to existing global inflationary pressures. This channel is likely to outweigh the effect of slower growth in China on global inflation through a weakening of commodity demand and prices."*

Atlanta Fed President, Raphael Bostic, was on the newswires, stating *"If the supply-demand gap narrows, price pressure will ease. The Fed will have to observe and adapt to new data and will support moving rates more, if inflation persists. 75 basis points is currently not my basis case, and it would be a low probability (although) I support 50 basis point moves until the rate is raised to neutral."*

As New Zealanders get drip-fed their daily 'feel-good' news items from the government ahead of next week's budget, Prime Minister Ardern joined the bandwagon confirming international borders will fully reopen on 31 July.



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# Daily Rates

Thursday 12 May 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.85					CAD	0.8178	0.9014
NZD/USD	0.6293	-0.0003	-0.0008	-0.0018	-0.0038	CHF	0.6255	0.6894
NZD/AUD	0.9073	-0.0008	-0.0024	-0.0041	-0.0053	CNY	4.2279	4.6606
NZD/JPY	81.72	-0.12	-0.44	-1.08	-2.70	DKK	4.4497	4.9044
NZD/EUR	0.5982	-0.0010	-0.0037	-0.0083	-0.0184	FJD	1.3765	1.5389
NZD/GBP	0.5139	-0.0002	-0.0009	-0.0026	-0.0065	HKD	4.9396	5.4443
						KRW	804.66	886.91
AU TWI	62.00					MYR	2.7725	3.0585
AUD/USD	0.6936	0.0003	0.0010	0.0012	-0.0001	NOK	6.1370	6.7643
AUD/NZD	1.1022	0.0010	0.0029	0.0051	0.0064	SEK	6.3363	6.9838
AUD/JPY	90.08	-0.05	-0.25	-0.81	-2.49	SGD	0.8742	0.9635
AUD/EUR	0.6593	-0.0006	-0.0023	-0.0062	-0.0165	TWD	18.72	20.64
AUD/GBP	0.5664	0.0003	0.0005	-0.0003	-0.0039	ZAR	10.13	11.17
USD Index	104.00					<b>EQUITIES</b>		
EUR/USD	1.0519	0.0013	0.0053	0.0118	0.0268		<b>Index</b>	
USD/JPY	129.88	-0.12	-0.55	-1.39	-3.57	NZX50	11,233	
GBP/USD	1.2245	0.0000	0.0008	0.0027	0.0083	ASX200	7,065	
EUR/GBP	0.8592	0.0011	0.0038	0.0078	0.0160	Dow Jones	32,161	
						S&P 500	3,943	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		FTSE100	7,348	
		<b>Mid</b>		<b>Mid</b>		DAX 30	13,829	
30 day bank bills		1.80%		0.30%		Nikkei	26,214	
90 day bank bills		2.13%		0.93%		<b>COMMODITIES</b>		
1 year swap		3.26%		2.45%			<b>USD</b>	
2 year swap		3.74%		3.05%		Brent Crude	107.29	
3 year swap		3.90%		3.26%		Gold	1,854.16	
5 year swap		3.97%		3.57%		Silver	21.58	
10 year swap		4.07%		3.75%		Iron Ore	123.00	
3 year Govt bond		3.48%		2.95%		CRB Index	316.34	
5 year Govt bond		3.59%		3.16%			<b>NZD</b>	
10 year Govt bond		3.77%		3.49%		NZ Carbon	76.45	

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