

Market Alert

Monday 16 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6257	-0.0014
NZD/AUD	0.9064	-0.0040
NZD/JPY	80.87	-1.06
NZD/EUR	0.6040	-0.0111
NZD/GBP	0.5128	-0.0049
NZD/CNH	4.2769	-0.0146
AUD/USD	0.6940	0.0015
AUD/EUR	0.6665	-0.0061
EUR/USD	1.0413	0.0118
USD/CNH	6.7983	0.0290
GBP/USD	1.2263	0.0028
EUR/GBP	0.8495	0.0077

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.11%	0.98%
2 year swap	3.55%	2.95%
10 year Govt	3.58%	3.39%

The slide continues ...

as fading hopes for a soft landing punishes markets, last week equity markets recorded a sixth-consecutive week of losses as investors appeared to become sceptical that the Fed will be able to achieve its soft landing by raising rates enough to tame inflation, without causing a recession.

Goldman Sachs have said that they now expect the economy to grow by 2.4% this year, and 1.65% in 2023, down from 2.6% and 2.32% previously. In the report issued on Sunday, Goldman stated "While this slowdown in growth should help lower

job openings, it is also likely to raise the unemployment rate a bit, particularly since the job openings rate typically only falls when unemployment spikes in recessions." The economists said "We remain optimistic that a sharp rise in the unemployment rate can be avoided, especially since typically the job openings rate declines more and the unemployment rate increases less when the job openings rate is very elevated, like it is today."

They have also projected that the unemployment rate will rise 3.7% by the end of 2023 after falling to 3.45% in coming months.

The University of Michigan's survey of consumer sentiment in May is indicative of the toll that inflation is taking on Americans as the sentiment gauge declined more than expected to 59.1 versus estimates of 64. This result is the lowest level recorded in 13 years. Adding to the never ending inflationary narrative was the 0.7% monthly increase in consumer prices (less energy services) suggesting that inflationary pressures are now moving beyond manufacturing and energy and becoming embedded.

WTI crude futures rose nearly 4.1% to settle at \$110.5 per barrel on Friday, the highest since 25 March, and extending gains for the third straight session amid concerns of further supply disruptions from Russia. The prospect of an EU ban on Russian oil continues to buoy prices.

Over in Europe, Finland and Sweden are set to apply for a membership in the NATO defence bloc after Russia's invasion of Ukraine is ending an era of the two Nordic nations shunning military alliances. Finland's parliament is expected in coming days to approve a formal decision to seek entry into NATO.

The week ahead

It can be expected that the trouble in equity markets may not be over as investors look for further clues on the course of Fed Monetary policy. Retail sales, housing data and speeches from several Fed officials including Fed Chair, Jerome Powell, will take centre stage in the US. Elsewhere, the inflation rates for the UK, Canada and Japan will be closely watched.

In New Zealand, we have the BusinessNZ PSI (Performance of Services Index) and Dairy trade auction, with expectations at -2.0% for the event as China's Omicron outbreak continues to weigh on prices. The week ends with an update on the April trade balance.

In Australia, the jobless rate likely declined to a fresh record low of 3.9% in April. Additionally, the nation holds the federal election, where Australia's Labour Party could take a majority, according to the most recent opinion polls.



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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	70.64					CAD	0.8117	0.8958
NZD/USD	0.6257	-0.0003	-0.0007	-0.0014	-0.0027	CHF	0.6299	0.6952
NZD/AUD	0.9064	-0.0008	-0.0023	-0.0040	-0.0048	CNY	4.2668	4.7074
NZD/JPY	80.87	-0.12	-0.44	-1.06	-2.60	DKK	4.4928	4.9580
NZD/EUR	0.6040	-0.0041	-0.0067	-0.0111	-0.0205	FJD	1.3922	1.5405
NZD/GBP	0.5128	-0.0028	-0.0035	-0.0049	-0.0082	HKD	4.9336	5.4478
						KRW	803.96	887.31
AU TWI	61.80					MYR	2.7545	3.0449
AUD/USD	0.6940	0.0003	0.0010	0.0015	0.0006	NOK	6.1278	6.7782
AUD/NZD	1.1088	0.0010	0.0028	0.0049	0.0060	SEK	6.3265	6.9818
AUD/JPY	89.75	-0.05	-0.25	-0.78	-2.39	SGD	0.8736	0.9671
AUD/EUR	0.6665	-0.0006	-0.0024	-0.0061	-0.0160	TWD	18.74	20.68
AUD/GBP	0.5660	0.0002	0.0004	-0.0001	-0.0034	ZAR	10.17	11.22
USD Index	104.52					EQUITIES		
EUR/USD	1.0413	0.0014	0.0053	0.0118	0.0266		Index	
USD/JPY	129.22	-0.13	-0.55	-1.40	-3.56	NZX50	11,168	
GBP/USD	1.2263	0.0000	0.0009	0.0028	0.0084	ASX200	7,075	
EUR/GBP	0.8495	0.0011	0.0037	0.0077	0.0157	Dow Jones	32,197	
						S&P 500	4,024	
INTEREST RATES			New Zealand		Australia	FTSE100	7,418	
			Mid		Mid	DAX 30	14,028	
30 day bank bills			1.83%		0.35%	Nikkei	26,428	
90 day bank bills			2.11%		0.98%	COMMODITIES		
1 year swap			3.10%		2.37%		USD	
2 year swap			3.55%		2.95%	Brent Crude	111.22	
3 year swap			3.68%		3.12%	Gold	1,811.62	
5 year swap			3.74%		3.44%	Silver	21.11	
10 year swap			3.86%		3.68%	Iron Ore	124.50	
3 year Govt bond			3.30%		2.82%	CRB Index	328.60	
5 year Govt bond			3.42%		3.04%		NZD	
10 year Govt bond			3.62%		3.39%	NZ Carbon	76.50	

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