

Market Alert

Thursday 19 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6298	-0.0013
NZD/AUD	0.9050	-0.0035
NZD/JPY	80.75	-1.04
NZD/EUR	0.6018	-0.0079
NZD/GBP	0.5103	-0.0020
NZD/CNH	4.2717	0.0054
AUD/USD	0.6959	0.0013
AUD/EUR	0.6650	-0.0061
EUR/USD	1.0466	0.0116
USD/CNH	6.7822	0.0230
GBP/USD	1.2342	0.0024
EUR/GBP	0.8480	0.0078

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.13%	1.02%
2 year swap	3.58%	2.95%
10 year Govt	3.60%	3.45%

Inflation this, Inflation that

The annual inflation rate in the UK jumped to 9.0% in April, the highest level since 1982, prompted by rising prices for electricity, gas and other fuels, motor fuels and second-hand cars, in another sign consumers' living standards continue to be squeezed. It compares with a rate of 7.0% in March and forecasts of 9.1%. The largest upward pressure came from the cost of housing and utilities, up 19.2% and 7.7% respectively.

Staying with the record inflationary theme, Canada's annual inflation rate increased to 6.8% in April of 2022, the highest since January of 1991 and

slightly above market expectations of 6.7%, this was primarily driven by food and shelter as the Russian invasion of Ukraine continued to pressure prices of energy and commodities. Food prices surged 8.8% (7.7% in March) amid higher costs for inputs such as fertilisers. Excluding gasoline, the CPI rose at a fresh record pace of 5.8%. On a monthly basis, consumer prices rose 0.6%, marginally above forecasts of 0.5%, but easing from the 1.4% jump in March.

As noted yesterday, Fed Chair Jerome Powell said the central bank will not hesitate to keep raising interest rates further until inflation returns to the 2% target, an approach that can be assumed to be adopted by central banks globally.

In Japan, the economy contracted in the first quarter of 2022, at an annualised rate of 1%. Persistent inflation and surging pandemic cases have contributed to GDP, adjusted for inflation falling 0.2% from the previous quarter. Although this is better than expectations for a 0.4% decline for the quarter.

Oil market volatility remains high, with WTI crude futures bottoming below the \$110-per-barrel as investors balance challenges from stagnant economic growth prospects and expectations that Venezuela could supply more oil to the market against hopes of demand recovery in China and supply constraints. China appears to be gradually easing its lockdown of Shanghai, with the city set for the return to normal life next month.

Wild ride continues

Overnight US stock markets fell sharply from more hawkish comments from Fed Governors and as disappointing earnings from Target highlighted that major retailer's profits were being impacted by rising costs, sluggish sales and supply-chain disruptions. Target's share price fell 27% as its quarterly earnings missed expectations marking its worst one-day performance since Black Monday in 1987. This is adding fuel to the view that the global economy is heading into recession as the Fed continues to raise interest rates to combat inflation.

Overnight, the Dow Jones is down 3.6%, the S&P is down 4.9% while the Nasdaq is down 4.9% and the US 10 year Treasury is now under 2.90% down from 3.00% in the past day. The NZD is down across the board with the NZD/USD back just above 0.6300 from the 0.6375 highs yesterday. The AUD/USD has slipped back under 0.7000.

Locally its Budget Day so we can expect market volatility to continue as government actions set the tone for the day.



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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	71.31					CAD	0.8113	0.8965
NZD/USD	0.6298	-0.0003	-0.0007	-0.0013	-0.0021	CHF	0.6225	0.6878
NZD/AUD	0.9050	-0.0009	-0.0022	-0.0035	-0.0036	CNY	4.2562	4.7031
NZD/JPY	80.75	-0.12	-0.43	-1.04	-2.49	DKK	4.4785	4.9488
NZD/EUR	0.6018	-0.0012	-0.0037	-0.0079	-0.0164	FJD	1.3752	1.5204
NZD/GBP	0.5103	-0.0003	-0.0009	-0.0020	-0.0048	HKD	4.9439	5.4627
						KRW	803.82	888.16
AU TWI	62.60					MYR	2.7853	3.0760
AUD/USD	0.6959	0.0003	0.0009	0.0013	0.0003	NOK	6.2096	6.8612
AUD/NZD	1.1050	0.0010	0.0026	0.0043	0.0044	SEK	6.3277	6.9916
AUD/JPY	89.24	-0.05	-0.27	-0.82	-2.48	SGD	0.8762	0.9683
AUD/EUR	0.6650	-0.0006	-0.0025	-0.0061	-0.0155	TWD	18.77	20.74
AUD/GBP	0.5639	0.0003	0.0004	-0.0001	-0.0032	ZAR	10.12	11.19
USD Index	103.93					EQUITIES		
EUR/USD	1.0466	0.0014	0.0053	0.0116	0.0257		Index	
USD/JPY	128.23	-0.13	-0.56	-1.41	-3.65	NZX50	11,258	
GBP/USD	1.2342	0.0000	0.0007	0.0024	0.0075	ASX200	7,183	
EUR/GBP	0.8480	0.0012	0.0038	0.0078	0.0154	Dow Jones	32,655	
						S&P 500	3,916	
INTEREST RATES			New Zealand		Australia	FTSE100	7,438	
			Mid		Mid	DAX 30	14,008	
30 day bank bills			1.76%		0.38%	Nikkei	26,911	
90 day bank bills			2.13%		1.02%	COMMODITIES		
1 year swap			3.15%		2.42%		USD	
2 year swap			3.58%		2.95%	Brent Crude	109.28	
3 year swap			3.69%		3.13%	Gold	1,816.18	
5 year swap			3.71%		3.44%	Silver	21.38	
10 year swap			3.83%		3.63%	Iron Ore	125.00	
3 year Govt bond			3.31%		2.89%	CRB Index	335.89	
5 year Govt bond			3.43%		3.11%		NZD	
10 year Govt bond			3.65%		3.45%	NZ Carbon	76.42	

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