

Market Alert

Monday 23 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6391	-0.0016
NZD/AUD	0.9095	-0.0042
NZD/JPY	81.86	-1.10
NZD/EUR	0.6062	-0.0093
NZD/GBP	0.5126	-0.0031
NZD/CNH	4.2918	0.0007
AUD/USD	0.7037	0.0015
AUD/EUR	0.6667	-0.0059
EUR/USD	1.0563	0.0117
USD/CNH	6.7055	0.0280
GBP/USD	1.2489	0.0023
EUR/GBP	0.8465	0.0078

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.15%	1.04%
2 year swap	3.52%	2.86%
10 year Govt	3.46%	3.30%

Albanese is good

As the song goes, “Eezer Goode, ‘Eezer Goode, He’s Albanese Goode” – although I suspect The Shamen were singing about something else!

Well, time will tell if he is good or not but congratulations to Anthony Albanese on being elected as Australia’s new Prime Minister, and also a big hand to the Blues, Max Verstappen, and to Manchester City on winning the premier league. But let’s not mention the Warriors! And speaking of failing badly, what about those equity

markets! Yes, the Dow and the S&P closed flat, but it was the Dow’s 8th consecutive down week producing the index’s longest week-on-week losing streak since 1923! The catalyst this time was Ross Stores whose shares plunged 22% after the retailer cut its outlook for profit and sales, while the S&P close was on the verge of bear territory being down over 18% from its highs, with bear territory officially described as being down 20%.

Generally speaking, most financial instruments closed the week flat as exhaustion caught up with most traders and speculators. The NZD and AUD also closed the week flat, although we should see the AUD strength this morning given the decisive election outcome, while the T-bond closed the week at 2.79%.

In terms of economic data, US existing-home sales in April were down 2.4% from March in what was the 3rd consecutive decline and the weakest growth in nearly 2-years while consumer confidence picked up slightly in May, from -22 to -21.1 confirming concerns that high inflation and a weak global economic outlook will add to slowing household consumption in coming quarters. It was a similar story in the Eurozone where consumer confidence edged up 0.9 points from the previous month to -21.1 in May, beating market expectations of -21.5 as sentiment slowly recovered from March’s 22-month low.

Finally, UK retail sales unexpectedly rose 1.4% on the month, which was better than the -0.2% forecast.

Friday also saw the PBoC cut the 5-year Loan Prime Rate (LPR) by 15bp to 4.45%, although they did leave the 1-year rate unchanged at 3.7%. The immediate question then became, why the 5-year rate, and why by so much when moves are usually in 5 or 10 basis point increments, but, by all accounts, most Chinese mortgage rates are linked to the 5-year LPR.

We also had the Federal Reserve’s most hawkish man, James Bullard, on the newswires where he played to form stating, “I have also said we should get to 3.5% by the end of the year, which is higher than some of my colleagues. The more we can front-load (hikes) and the more we can get inflation and inflation expectations under control, the better off we will be. Further out – in years ‘23 and ‘24 – we could be lowering the policy rate because we got inflation under control.”

And for the week ahead

Investors will be looking for any signs that stock markets are bottoming, while we also have the RBNZ on Wednesday and the Federal Reserve releasing the minutes from their May meeting on Thursday with GDP on Friday. We also have PMI releases for most major economies.



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Daily Rates

Monday 23 May 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.41					CAD	0.8224	0.9035
NZD/USD	0.6391	-0.0004	-0.0009	-0.0016	-0.0026	CHF	0.6244	0.6860
NZD/AUD	0.9095	-0.0010	-0.0025	-0.0042	-0.0049	CNY	4.2909	4.7152
NZD/JPY	81.86	-0.13	-0.46	-1.10	-2.59	DKK	4.5113	4.9601
NZD/EUR	0.6062	-0.0023	-0.0050	-0.0093	-0.0179	FJD	1.3996	1.5359
NZD/GBP	0.5126	-0.0012	-0.0019	-0.0031	-0.0057	HKD	5.0261	5.5219
						KRW	815.58	896.93
AU TWI	62.30					MYR	2.7980	3.0774
AUD/USD	0.7037	0.0003	0.0010	0.0015	0.0276	NOK	6.2356	6.8560
AUD/NZD	1.1009	0.0013	0.0031	0.0052	0.0060	SEK	6.3650	6.9950
AUD/JPY	89.98	-0.05	-0.26	-0.79	-2.38	SGD	0.8837	0.9718
AUD/EUR	0.6667	-0.0006	-0.0024	-0.0059	-0.0148	TWD	19.05	20.94
AUD/GBP	0.5638	0.0000	0.0002	-0.0001	0.0186	ZAR	10.14	11.14
USD Index	103.17					EQUITIES		
EUR/USD	1.0563	0.0015	0.0054	0.0117	0.0257		Index	
USD/JPY	127.88	-0.13	-0.55	-1.40	-3.55	NZX50	11,267	
GBP/USD	1.2489	0.0000	0.0008	0.0023	0.0070	ASX200	7,146	
EUR/GBP	0.8465	0.0012	0.0038	0.0078	0.0156	Dow Jones	31,262	
						S&P 500	3,901	
						FTSE100	7,390	
						DAX 30	13,982	
						Nikkei	26,739	
						COMMODITIES		
							USD	
						Brent Crude	112.55	
						Gold	1,846.66	
						Silver	21.76	
						Iron Ore	126.00	
						CRB Index	333.08	
							NZD	
						NZ Carbon	76.90	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	1.77%		0.41%
90 day bank bills	2.15%		1.04%
1 year swap	3.16%		2.31%
2 year swap	3.52%		2.86%
3 year swap	3.61%		3.04%
5 year swap	3.61%		3.33%
10 year swap	3.68%		3.52%
3 year Govt bond	3.24%		2.80%
5 year Govt bond	3.31%		3.01%
10 year Govt bond	3.51%		3.30%

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