

# Market Alert

Tuesday 24 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6462	-0.0017
NZD/AUD	0.9098	-0.0044
NZD/JPY	82.62	-1.12
NZD/EUR	0.6045	-0.0083
NZD/GBP	0.5136	-0.0024
NZD/CNH	4.3042	0.0037
AUD/USD	0.7102	0.0015
AUD/EUR	0.6645	-0.0059
EUR/USD	1.0690	0.0119
USD/CNH	6.6612	0.0235
GBP/USD	1.2581	0.0025
EUR/GBP	0.8496	0.0077

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.20%	1.04%
2 year swap	3.58%	2.93%
10 year Govt	3.48%	3.32%

## The 'Bounce Back'

Like all good James Brown songs, last night was all about the 'Bounce Back' ... and it was just as sexy!

The first bounce up was in the data. The Chicago Fed's National Activity Index bounced off its 3-month March low, increasing to 0.47 points in April. Next up was the German Ifo Business Climate Indicator which unexpectedly bounced to a 3-month high of 93 in May, above market expectations, while the April headline number was also revised upwards.

International equity markets also bounced back — actually, I'm sure you get the point

now so let's stop this — with most markets rallying between 1.0%-2.0%. This boost to investor confidence also saw commodity prices firm at the peripheral, while ECB President, Christine Lagarde, supported the chorus of calls for the ECB to end negative rates and start their hiking cycle stating, "Based on the current outlook, we are likely to be in a position to exit negative interest rates by the end of the third quarter. If we see inflation stabilising at 2.0% over the medium term, a progressive further normalisation of interest rates towards the neutral rate will be appropriate."

The prospect of higher rates lifted the EUR/USD up towards the 1.07 level, although the NZD and AUD stabilised against the USD overnight following yesterday's rallies. The 10-year treasury yield also bounced 7-basis points to 2.86% and is down almost 40 basis points from its multi-year high of 3.20% set just two weeks ago.

In the US, Atlanta Fed President, Raphael Bostic, stated he, "is comfortable with 50 basis point hikes at the next couple of meetings and is open to moving more aggressively if inflation is higher. By year end, I'm aiming for a 2.0%-2.5% federal funds rate. I expect inflation (to be) in the high 3.00's this year. The challenge for the Fed now is to determine when supply and demand are reaching equilibrium, and not overdo rate hikes."

President Biden, on his whirlwind trip to Asia, which is interesting given that the

New Zealand Prime Minister is heading to the US this week, announced, "The US economy has problems, but recession is not inevitable. (We are) considering reducing some trade tariffs on China." And if the US is thinking of stimulating trade with China by ditching the Trump tariff's, it might also be a good time for new Australian Prime Minister, Anthony Albanese, to pay a quick visit!

And the rating agency, S&P, has weighed in on the change of government in Australia, announcing it will have "no impact on its sovereign rating" as "Australia's debt levels aren't a threat right now."

RBA Assistant Governor, Christopher Kent, announced, "monetary policy is currently quite stimulatory. The RBA's estimate of the neutral rate is somewhere between 2.0 and 3.0%. Stagflation is not a major issue at present. Australian households should be able to cope with higher rates."

## The latest insider trading scandal

The WSJ has reported that "several anonymous crypto investors profited from inside knowledge of when tokens would be listed on exchanges" ... WHAT? Insider trading in an unregulated crypto currency that was developed to avoid the authorities ... who would have thought it!



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# Daily Rates

Tuesday 24 May 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.92					CAD	0.8256	0.9075
NZD/USD	0.6462	-0.0004	-0.0009	-0.0017	-0.0029	CHF	0.6243	0.6862
NZD/AUD	0.9098	-0.0010	-0.0025	-0.0044	-0.0052	CNY	4.2975	4.7235
NZD/JPY	82.62	-0.15	-0.47	-1.12	-2.64	DKK	4.4980	4.9442
NZD/EUR	0.6045	-0.0013	-0.0040	-0.0083	-0.0170	FJD	1.3935	1.5316
NZD/GBP	0.5136	-0.0003	-0.0011	-0.0024	-0.0053	HKD	5.0721	5.5752
						KRW	815.08	895.70
AU TWI	62.80					MYR	2.8410	3.1211
AUD/USD	0.7102	0.0003	0.0010	0.0015	0.0009	NOK	6.2010	6.8160
AUD/NZD	1.0992	0.0012	0.0031	0.0053	0.0064	SEK	6.3423	6.9716
AUD/JPY	90.82	-0.06	-0.27	-0.80	-2.44	SGD	0.8876	0.9756
AUD/EUR	0.6645	-0.0007	-0.0025	-0.0059	-0.0149	TWD	19.11	21.00
AUD/GBP	0.5646	0.0002	0.0004	0.0000	-0.0026	ZAR	10.19	11.20
USD Index	102.12					<b>EQUITIES</b>		
EUR/USD	1.0690	0.0016	0.0055	0.0119	0.0260		<b>Index</b>	
USD/JPY	127.87	-0.15	-0.56	-1.40	-3.60	NZX50	11,316	
GBP/USD	1.2581	0.0001	0.0009	0.0025	0.0074	ASX200	7,149	
EUR/GBP	0.8496	0.0012	0.0037	0.0077	0.0156	Dow Jones	31,262	
						S&P 500	3,965	
<b>INTEREST RATES</b>						FTSE100	7,513	
		<b>New Zealand</b>		<b>Australia</b>		DAX 30	14,175	
		<b>Mid</b>		<b>Mid</b>		Nikkei	27,002	
30 day bank bills		1.82%		0.41%		<b>COMMODITIES</b>		
90 day bank bills		2.20%		1.04%			<b>USD</b>	
1 year swap		3.20%		2.36%		Brent Crude	113.30	
2 year swap		3.58%		2.93%		Gold	1,854.25	
3 year swap		3.65%		3.11%		Silver	21.78	
5 year swap		3.64%		3.40%		Iron Ore	126.00	
10 year swap		3.68%		3.60%		CRB Index	333.08	
3 year Govt bond		3.27%		2.81%			<b>NZD</b>	
5 year Govt bond		3.34%		3.02%		NZ Carbon	77.05	
10 year Govt bond		3.53%		3.32%				

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