

Market Alert

Wednesday 25 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6464	-0.0017
NZD/AUD	0.9090	-0.0043
NZD/JPY	81.99	-1.12
NZD/EUR	0.6022	-0.0081
NZD/GBP	0.5156	-0.0024
NZD/CNH	4.3037	0.0035
AUD/USD	0.7111	0.0015
AUD/EUR	0.6625	-0.0059
EUR/USD	1.0733	0.0119
USD/CNH	6.6584	0.0227
GBP/USD	1.2536	0.0026
EUR/GBP	0.8562	0.0076

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.23%	1.05%
2 year swap	3.56%	2.85%
10 year Govt	3.47%	3.31%

Drive by

I'm not talking about the song by Train, but the latest series of imported gang shootings that make Auckland feel a little like the wild west these days.

Speaking of the wild, wild west, the governor of the Reserve Bank of New Zealand ("RBNZ"), Adrian Orr, will be hitting the newswires at 2.00pm NZST and hitting the stage at 3.00pm, at today's RBNZ MPS meeting.

Like everyone else, we predict a full 50bps hike, however, our attention will be focused on the RBNZ's forecasts, and

for any wisdom the RBNZ may wish to impart at the Q&A session.

Overnight, markets reverted to trend with equity markets in red territory, with data below expectations. US manufacturing PMIs fell to 57.5 in May from 59.2 in April, a 3-month low. April new home sales fell 16.6% on the month to a seasonally adjusted annual rate of 59,000, which was the index's lowest print since April 2020.

It should be noted, that even with plummeting equity markets and poor domestic data, the US financial system is still 'flush-with-cash'. Banks and funds have stashed a record USD2 trillion in the Federal Reserve's Overnight Reverse Repo Facility (ON RRP) as investors search for safe havens. Japanese manufacturing PMIs for May fell to 53.2 while service PMIs increased to 51.7.

San Francisco Fed Bank President, Mary Daly, optimistically announced "*We really have a strong economy. I think that we can weather this storm, get interest rates up, price stability restored, and still leave Americans with jobs a plentiful and with growth expanding as we expect it to. The Fed will raise rates to a neutral point, where they are neither stimulating nor stifling the economy leaving Americans with employment and an expanding economy.*"

Meanwhile Mary's colleague, Raphael Bostic, added, "*The Fed faces considerable uncertainty as it moves forward, but I'm confident the Fed can contain inflation*

without causing a recession. I support expeditious rate rises, done 'with intention and without recklessness'."

The outlook isn't getting any better in China either, JP Morgan downgraded their GDP forecasts expecting 2Q GDP to contract 5.4% from their previous forecast of negative 1.5%. JP Morgan expects global growth to come in at just 0.6%, which would be the weakest quarter since the GFC outside of 2020. UBS have also cut their 2022 GDP forecast for China to just 3.0% for the year, from 4.2%, well below the President Xi's 5.5% target!

Here's something I wasn't expecting – Australian carbon credit units, or ACCU's, jumped 20% on Monday after Labor's election victory!

Watch out for Bill

Billionaire, investor and hedge fund manager, Bill Ackman, tweeted up a storm, and announced that the only way to stop inflation is either a more aggressive Fed or a stock market collapse. Equity markets took him at his word, with European and US bourses off between 0.5% to 1.5%, although the Dow remains positive.

Commodities are mixed although it should be noted that sugar futures rallied to a 4-year high after the world's second largest producer, India, curbed exports. In amongst the general weakness, the US 10-Year T-Bond eased another 9 pips to 2.76%, while the NZD and AUD are flat.



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Daily Rates

Wednesday 25 May 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.62					CAD	0.8278	0.9107
NZD/USD	0.6464	-0.0004	-0.0009	-0.0017	-0.0029	CHF	0.6209	0.6831
NZD/AUD	0.9090	-0.0009	-0.0025	-0.0043	-0.0050	CNY	4.3008	4.7316
NZD/JPY	81.99	-0.14	-0.47	-1.12	-2.62	DKK	4.4799	4.9285
NZD/EUR	0.6022	-0.0012	-0.0039	-0.0081	-0.0165	FJD	1.3921	1.5318
NZD/GBP	0.5156	-0.0003	-0.0011	-0.0024	-0.0053	HKD	5.0733	5.5813
						KRW	815.19	896.83
AU TWI	62.80					MYR	2.8340	3.1147
AUD/USD	0.7111	0.0003	0.0010	0.0015	0.0007	NOK	6.1833	6.8008
AUD/NZD	1.1001	0.0011	0.0031	0.0052	0.0061	SEK	6.3093	6.9397
AUD/JPY	90.20	-0.06	-0.27	-0.81	-2.40	SGD	0.8864	0.9751
AUD/EUR	0.6625	-0.0007	-0.0025	-0.0059	-0.0146	TWD	19.13	21.04
AUD/GBP	0.5672	0.0002	0.0003	0.0000	-0.0028	ZAR	10.11	11.12
USD Index	101.78					EQUITIES		
EUR/USD	1.0733	0.0016	0.0055	0.0119	0.0253		Index	
USD/JPY	126.86	-0.14	-0.56	-1.40	-3.49	NZX50	11,247	
GBP/USD	1.2536	0.0001	0.0010	0.0026	0.0074	ASX200	7,129	
EUR/GBP	0.8562	0.0012	0.0037	0.0076	0.0150	Dow Jones	31,880	
						S&P 500	3,951	
						FTSE100	7,484	
						DAX 30	13,920	
						Nikkei	26,748	
						COMMODITIES		
							USD	
						Brent Crude	113.63	
						Gold	1,866.26	
						Silver	22.11	
						Iron Ore	132.00	
						CRB Index	335.74	
							NZD	
						NZ Carbon	77.10	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	1.85%		0.44%
90 day bank bills	2.23%		1.05%
1 year swap	3.19%		2.32%
2 year swap	3.56%		2.85%
3 year swap	3.63%		3.02%
5 year swap	3.62%		3.31%
10 year swap	3.69%		3.53%
3 year Govt bond	3.25%		2.82%
5 year Govt bond	3.33%		3.03%
10 year Govt bond	3.52%		3.31%

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