

Market Alert

Tuesday 3 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6434	-0.0017
NZD/AUD	0.9115	-0.0050
NZD/JPY	83.73	-1.13
NZD/EUR	0.6114	-0.0083
NZD/GBP	0.5141	-0.0021
NZD/CNH	4.3005	0.0237
AUD/USD	0.7058	0.0018
AUD/EUR	0.6708	-0.0058
EUR/USD	1.0522	0.0118
USD/CNH	6.6843	0.0545
GBP/USD	1.2516	0.0019
EUR/GBP	0.8407	0.0082

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.10%
90 day bills	1.88%	0.71%
2 year swap	3.82%	2.91%
10 year Govt	3.63%	3.25%

Will Lowe take the cash rate off its lows?

It's the first central bank meeting of the week, with the RBA this afternoon, and while three of the big four Australian banks are expecting a rate hike, a recent poll of 21 economists had 13 expecting a 15 bp hike, 5 forecasting a bigger hike of between 20 and 50 pips, with the 3 man minority suggesting a 'hawkish hold.' If nothing else, the AUD will be volatile once we hear the RBA's decision at 2:30 AU time (4:30 NZ).

However, before we get too excited, the Melbourne Institute has updated its Australian monthly inflation forecast for April and they are calling for a -0.1% contraction on the month, down from March's 0.8% lift, with annual inflation easing to 3.4% from 4.0%. The Australian Markit manufacturing PMIs for April were confirmed at 58.8, which was up from 57.7, while the AiG manufacturing PMIs reached 58.5, from March's 55.7.

It wasn't quite as good a story in the US as the ISM manufacturing PMIs fell for the second straight month, to 55.4, which was below expectations of 57.6. It was the lowest reading since July 2020, as the growth rate in production, new orders and employment slowed, although there was some positive news as supply bottlenecks showed signs of easing, with the increase in prices for inputs and the backlog of unfinished work at factories moderating.

Furthermore, the Institute for Supply Management's gauge of factory activity fell to its lowest level since 2020 as growth in orders, production and employment softened.

It was a similar story in Japan where the April Jibun Bank/Markit manufacturing PMIs eased.

The headlines in brief

In other news, Goldman Sachs announced the firm's trading division clocked more

than USD100 million in revenue on 32 separate days in the first quarter, or at least once every other day, the bank said in its Q1 regulatory filing.

The Atlanta Fed GDPNow estimate for US 2Q growth has fallen to 1.6%, from 1.9%.

In a major shift, Germany announced it was prepared to back an immediate EU embargo on Russian oil although Hungary could still veto such a proposal. In amongst this, Russian gas exports to China jumped 60% in the first four months of 2022.

European equity markets opened in carnage overnight after a single sell order prompted a flash-crash in Nordic markets and saw Stockholm's OMX 30 equity index fall 8% in a 5-minute crash before recovering to close the session down 1.7%. And while the flash-crash kept European bourses under pressure, US markets were also deeply in negative territory until the last hour when they turned positive.

Meanwhile, the US 10-year yield hit the magical 3.00% mark during the session for the first time since 2018, after it was reported Japanese investors had sold USD60 billion of Treasuries over the last 3-months as the falling JPY impacted their ability to hedge their exposures. The USD is continuing to dominate global FX markets, with the EUR struggling near its 5-year low. The NZD has hit a 23-month low, while the AUD is holding up reasonably well 'only' reaching a 3-month low against the USD.



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Daily Rates

Tuesday 3 May 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.61					CAD	0.8294	0.9100
NZD/USD	0.6434	0.0000	-0.0005	-0.0017	-0.0041	CHF	0.6287	0.6899
NZD/AUD	0.9115	-0.0008	-0.0024	-0.0050	-0.0078	CNY	4.2509	4.6641
NZD/JPY	83.73	-0.09	-0.42	-1.13	-2.84	DKK	4.5479	4.9905
NZD/EUR	0.6114	-0.0008	-0.0034	-0.0083	-0.0189	FJD	1.3965	1.5320
NZD/GBP	0.5141	0.0000	-0.0006	-0.0021	-0.0061	HKD	5.0495	5.5394
						KRW	816.45	895.72
AU TWI	62.20					MYR	2.7978	3.0693
AUD/USD	0.7058	0.0005	0.0011	0.0018	0.0015	NOK	6.0768	6.6668
AUD/NZD	1.0971	0.0009	0.0029	0.0060	0.0095	SEK	6.3661	6.9842
AUD/JPY	91.86	-0.04	-0.22	-0.75	-2.35	SGD	0.8916	0.9781
AUD/EUR	0.6708	-0.0005	-0.0021	-0.0058	-0.0152	TWD	19.00	20.84
AUD/GBP	0.5640	0.0004	0.0007	0.0006	-0.0019	ZAR	10.33	11.34
USD Index	103.67					EQUITIES		
EUR/USD	1.0522	0.0015	0.0051	0.0118	0.0268		Index	
USD/JPY	130.14	-0.13	-0.53	-1.38	-3.60	NZX50	11,784	
GBP/USD	1.2516	0.0000	0.0005	0.0019	0.0070	ASX200	7,347	
EUR/GBP	0.8407	0.0012	0.0037	0.0082	0.0166	Dow Jones	32,977	
						S&P 500	4,154	
						FTSE100	7,545	
						DAX 30	13,939	
						Nikkei	26,819	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			1.53%		0.21%			
90 day bank bills			1.88%		0.71%			
1 year swap			3.29%		2.14%			
2 year swap			3.82%		2.91%			
3 year swap			3.93%		3.14%			
5 year swap			3.94%		3.44%			
10 year swap			3.92%		3.64%			
3 year Govt bond			3.45%		2.83%			
5 year Govt bond			3.55%		3.02%			
10 year Govt bond			3.69%		3.25%			
						COMMODITIES		
							USD	
						Brent Crude	107.80	
						Gold	1,868.88	
						Silver	22.59	
						Iron Ore	142.00	
						CRB Index	328.15	
							NZD	
						NZ Carbon	75.90	

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