

Market Alert

Monday 30 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6527	-0.0024
NZD/AUD	0.9128	-0.0047
NZD/JPY	83.14	-1.21
NZD/EUR	0.6092	-0.0100
NZD/GBP	0.5181	-0.0035
NZD/CNH	4.3934	-0.0051
AUD/USD	0.7160	0.0011
AUD/EUR	0.6672	-0.0060
EUR/USD	1.0738	0.0115
USD/CNH	6.7280	0.0200
GBP/USD	1.2614	0.0023
EUR/GBP	0.8494	0.0076

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.00%
90 day bills	2.30%	1.09%
2 year swap	3.79%	2.91%
10 year Govt	3.45%	3.24%

China girl

Well done Mr Bowie but Friday was all about the management of the Chinese economy, and some US data.

Chinese Premier, Li Keqiang, who is apparently on the political outer, started telling it like it is, stating *“economic growth risks are slipping out of a reasonable range. China will pay a huge price with a long road to recovery if the economy can't keep expanding at a certain rate.”* And suddenly, Wednesday is shaping up as a key day with Shanghai authorities announcing an easing

of their COVID-19 restrictions and will also introduce policies to support its battered economy, which is appropriate after April industrial profits YTD eased back to a modest 3.5% gain, from last month's 8.5%, while year-on-year, they fell -8.5%

Here's a name we haven't heard for a while – Evergrande – who are attempting to resolve the issue of a USD22.7 billion default, and announced they are *“looking to repay offshore creditors the principal and interest by turning them into new bonds, which will then be repaid in instalments over a period of seven to 10 years.”*

On the US data front, the PCE deflator, the Fed's favoured inflation measure, showed headline inflation slowing to 6.3% on the year from 6.6%, while the core eased back to 4.9% from 5.2%. And on a further positive note, consumption remained robust despite rising prices after personal spending increased 0.9% in April, following March's upwardly revised 1.4% and ahead of market forecasts at 0.7%.

In amongst the positives, there was also the release of the University of Michigan sentiment survey which highlighted a pessimistic tone as the index continued its falling trend with current conditions easing to 63.3 while, expectations fell even further to 55.2. Mildly positive were the inflation expectations with the 1 year forecast easing to 5.3% from 5.4%, while the 5 to 10-year forecast remaining flat at 3.0%.

In our part of the world, Australian April retail sales increased +0.9% on the month, which was slightly below expectations at 1.0%, and 9.6% for the year. Meanwhile, in New Zealand, May consumer confidence turned even more negative falling to 82.3 from 84.4 just *“above its record low of 77.9 in March, but still dire. The proportion of people who believe it is a good time to buy a major household item fell 7 points to -30 (but) in welcome news for the RBNZ, inflation expectations fell from 5.6% to 5.1%.”*

To summarise

Friday saw European and US stocks end higher for a third consecutive session. Heck, even the Nasdaq rallied. Commodities also enjoyed a positive session while the 10-year treasury bond yield flatlined at 2.74%, which saw the NZD and AUD make mild gains in amongst the general positive theme.

Looking ahead, it will be a busy week in the US with the non-farm payrolls report taking the centre stage followed by ISM Manufacturing and Services PMI. Also, investors will be closely watching Q1 GDP growth releases for Canada and Australia, while there will be inflation updates from Germany and France. We also have speeches by several Fed officials and the Bank of Canada's interest rate decision,



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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	72.34					CAD	0.8321	0.9114
NZD/USD	0.6527	-0.0003	-0.0010	-0.0024	-0.0052	CHF	0.6258	0.6854
NZD/AUD	0.9128	-0.0009	-0.0025	-0.0047	-0.0071	CNY	4.3778	4.7951
NZD/JPY	83.14	-0.14	-0.50	-1.21	-2.93	DKK	4.5298	4.9638
NZD/EUR	0.6092	-0.0026	-0.0054	-0.0100	-0.0199	FJD	1.4003	1.5358
NZD/GBP	0.5181	-0.0010	-0.0018	-0.0035	-0.0075	HKD	5.1304	5.6207
						KRW	822.60	901.13
AU TWI	63.00					MYR	2.8604	3.1305
AUD/USD	0.7160	0.0003	0.0009	0.0011	0.0000	NOK	6.1788	6.7687
AUD/NZD	1.0955	0.0011	0.0031	0.0056	0.0086	SEK	6.4246	7.0368
AUD/JPY	91.09	-0.06	-0.30	-0.85	-2.51	SGD	0.8956	0.9797
AUD/EUR	0.6672	-0.0006	-0.0025	-0.0060	-0.0150	TWD	19.15	20.99
AUD/GBP	0.5667	0.0012	0.0013	0.0008	-0.0020	ZAR	10.19	11.17
USD Index	101.70					EQUITIES		
EUR/USD	1.0738	0.0015	0.0055	0.0115	0.0249		Index	
USD/JPY	127.09	-0.14	-0.57	-1.38	-3.49	NZX50	11,065	
GBP/USD	1.2614	0.0001	0.0009	0.0023	0.0066	ASX200	7,183	
EUR/GBP	0.8494	0.0012	0.0037	0.0076	0.0152	Dow Jones	33,213	
						S&P 500	4,158	
						FTSE100	7,585	
						DAX 30	14,462	
						Nikkei	26,782	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		2.01%		0.49%		Brent Crude	119.43	
90 day bank bills		2.30%		1.09%		Gold	1,853.66	
1 year swap		3.46%		2.41%		Silver	22.12	
2 year swap		3.79%		2.91%		Iron Ore	133.50	
3 year swap		3.79%		3.05%		CRB Index	341.45	
5 year swap		3.73%		3.34%			NZD	
10 year swap		3.74%		3.54%		NZ Carbon	77.20	
3 year Govt bond		3.34%		2.76%				
5 year Govt bond		3.37%		2.97%				
10 year Govt bond		3.51%		3.24%				

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