

Market Alert

Wednesday 4 May 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6436	-0.0019
NZD/AUD	0.9070	-0.0042
NZD/JPY	83.76	-1.14
NZD/EUR	0.6116	-0.0088
NZD/GBP	0.5151	-0.0024
NZD/CNH	4.2763	0.0217
AUD/USD	0.7096	0.0013
AUD/EUR	0.6743	-0.0066
EUR/USD	1.0525	0.0121
USD/CNH	6.6444	0.0535
GBP/USD	1.2496	0.0020
EUR/GBP	0.8422	0.0084

INT RATES	NZ	Australia
OCR/Cash	1.50%	0.35%
90 day bills	2.10%	0.70%
2 year swap	3.87%	3.12%
10 year Govt	3.69%	3.39%

Well, that caught everyone out

The RBA raised the Australian cash rate not 15bps, not 40bps, but 25bps to 0.35%!

It was the central bank's first rate hike since November 2010 with highlights from the statement including, "The central forecast for Australian GDP is at 4.25% over 2022 and 2.0% over 2023. Inflation has picked up significantly and by more than expected. A further rise in inflation is expected in the near term, but as supply-side disruptions are resolved, inflation is expected to decline back towards the target

range of 2.0-3.0%. The central forecast for 2022 is for headline inflation of around 6.0% and underlying inflation of around 4.75%; by mid-2024, headline and underlying inflation are forecast to have moderated to around 3.0%. The Bank's business liaison suggests that wages growth has been picking up, (with) timely evidence that larger wage increases are now occurring in many private-sector firms. The Board is committed to doing what is necessary to ensure that inflation in Australia returns to target over time. This will require a further lift in interest rates over the period ahead."

In addition, in what was the lowest confidence print since inflation targeting began in the 1990s, the Australian weekly consumer confidence survey fell almost 6.0% to 90.7 from last week's 96.5, but wait, there were further surprises, and this one was just as nasty – the GDT diary auction was down -8.5% with WMP and SMP down -6.5% while butter was off a whopping -12.5%! Finally, at the peripheral, New Zealand building permits fell to 5.8% in March from February's 12.2%.

In amongst these releases, the NZD and AUD have given up yesterday's gains to be at similar levels to where we were 24 hours ago with the USD broadly flat. Equity and bond markets were also flat, with the T-bond at 2.97%, while commodities were slightly with oil off -2.25%.

After Antipodean doom and gloom

The news from the rest of the world wasn't that bad! March US factory orders increased 2.2% against the 1.1% forecast, durable goods orders increased to 1.1% from 0.8%, and the JOLTS job vacancies for March increased to a record high reaching 11.549 million against the 11.2 million estimates. In Germany, the seasonally adjusted number of unemployed people in Germany fell by 13K to 2.287 million in April.

ECB member, Isabel Schnabel, announced, "We are seeing that inflationary pressures are becoming more broad-based. We have to stop high inflation getting anchored in expectations. I believe that we will be able to end net purchases under our regular asset purchase programme, or APP, at the end of June. An interest rate hike is possible in July."

BlackRock were also busy announcing, "we think both Core CPI and PCE inflation peaked in March and February, respectively, and should move appreciably lower by the end of 2022."

The WSJ has a report from a 'former top Fed staffer' suggests the Fed Funds neutral rate could be as high as 5.0%.

US Trade Representative, Katherine Tai, stated, "all tools to address price surges are on the table, these include possible reductions in tariffs, but we must keep an eye on medium-term goals."



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Daily Rates

Wednesday 4 May 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.82					CAD	0.8260	0.9107
NZD/USD	0.6436	-0.0002	-0.0007	-0.0019	-0.0042	CHF	0.6297	0.6943
NZD/AUD	0.9070	-0.0008	-0.0024	-0.0042	-0.0060	CNY	4.2494	4.6855
NZD/JPY	83.76	-0.10	-0.44	-1.14	-2.85	DKK	4.5491	5.0147
NZD/EUR	0.6116	-0.0010	-0.0037	-0.0088	-0.0192	FJD	1.4063	1.5495
NZD/GBP	0.5151	-0.0002	-0.0008	-0.0024	-0.0063	HKD	5.0508	5.5688
						KRW	811.49	894.62
AU TWI	62.80					MYR	2.8082	3.0980
AUD/USD	0.7096	0.0004	0.0010	0.0013	0.0002	NOK	6.0485	6.6680
AUD/NZD	1.1025	0.0010	0.0029	0.0051	0.0074	SEK	6.3513	7.0024
AUD/JPY	92.35	-0.04	-0.25	-0.83	-2.57	SGD	0.8912	0.9825
AUD/EUR	0.6743	-0.0005	-0.0024	-0.0066	-0.0168	TWD	18.98	20.93
AUD/GBP	0.5679	0.0003	0.0006	0.0001	-0.0031	ZAR	10.15	11.19
USD Index	103.48					EQUITIES		
EUR/USD	1.0525	0.0014	0.0051	0.0121	0.0270		Index	
USD/JPY	130.13	-0.13	-0.54	-1.39	-3.65	NZX50	11,676	
GBP/USD	1.2496	0.0000	0.0005	0.0020	0.0072	ASX200	7,316	
EUR/GBP	0.8422	0.0012	0.0038	0.0084	0.0167	Dow Jones	33,062	
						S&P 500	4,179	
						FTSE100	7,561	
						DAX 30	14,039	
						Nikkei	26,819	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		1.76%		0.19%		Brent Crude	105.14	
90 day bank bills		2.10%		0.70%		Gold	1,866.72	
1 year swap		3.37%		2.38%		Silver	22.57	
2 year swap		3.87%		3.12%		Iron Ore	142.00	
3 year swap		3.99%		3.31%		CRB Index	329.12	
5 year swap		4.00%		3.57%			NZD	
10 year swap		3.98%		3.72%		NZ Carbon	75.87	
3 year Govt bond		3.51%		3.02%				
5 year Govt bond		3.61%		3.20%				
10 year Govt bond		3.71%		3.39%				

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