

Market Alert

Monday 20 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6304	-0.0024
NZD/AUD	0.9100	-0.0032
NZD/JPY	85.19	-1.58
NZD/EUR	0.5987	-0.0102
NZD/GBP	0.5156	-0.0037
NZD/CNH	4.2482	0.0000
AUD/USD	0.6934	-0.0003
AUD/EUR	0.6616	-0.0091
EUR/USD	1.0478	0.0138
USD/CNH	6.7085	0.0000
GBP/USD	1.2224	0.0039
EUR/GBP	0.8588	0.0083

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.83%	1.85%
2 year swap	4.51%	4.04%
10 year Govt	4.31%	4.22%

Crypto showing market concerns

Financial markets look set to start the week on the back foot, following last week's super-sized Fed hike and further sharp declines across crypto markets over the weekend. The heady days of a \$40,000+ Bitcoin seem a distant memory, with its 'value' tumbling below the \$20,000 level and marking 12 straight days of declines.

The crypto world is quickly becoming the poster child of financial excess, its famous volatility proving a feature as liquidity gets drained from the financial system and central banks close the taps on 'easy' money.

Equity markets are also feeling the chill, evidence of another inflated asset bubble unwinding. US equity indices ended the week mixed, although the major benchmarks were all down sharply over the week. US markets are closed today. Market nervousness continues to add support to the USD, which gained ground against the Australasian currencies on Friday. After nearing 0.6400 on Thursday, the NZD/USD starts the week under 0.6300. Last week's brief AUD/USD rally has also faded quickly, with the 0.6900 level looking to be tested.

Bank of Japan stays out on a limb

The Bank of Japan maintained its abnormally low interest rates at its monetary policy meeting last week, despite record JPY weakness. The central bank left its overnight interest rates at minus 0.10% and reinforced its commitment to quantitative monetary easing with the goal of its 2.0% price

stability target. Despite persistent inflation and a continually weakening yen, it remained firmly in easing mode, in a continuing divergence from its global peers. The USD/JPY spiked back to its highest level in more than 20 years in response.

Thankfully, there may be some respite for motorists, with oil prices easing more than 5.0% on Friday. The move reflects growing concerns around the global growth outlook, and the risk that quickly rising interest rates could trigger a global recession. This trend lower is driven by the recent wave of aggressive rate hikes as central banks scramble to get inflation under control, while weak economic data is adding fuel to the credible recessionary narrative.

Staying true to recent weak economic data was manufacturing production in the US. Data showed the first decline since January 2022, decreasing 0.1%. This was well below expectations of a 0.3% increase. The largest negative contributions were in machinery and food products.



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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	71.30					CAD	0.8212	0.9032
NZD/USD	0.6304	-0.0003	-0.0013	-0.0024	-0.0046	CHF	0.6124	0.6699
NZD/AUD	0.9100	-0.0006	-0.0021	-0.0032	-0.0039	CNY	4.2207	4.6485
NZD/JPY	85.19	-0.18	-0.69	-1.58	-3.72	DKK	4.4673	4.9138
NZD/EUR	0.5987	-0.0014	-0.0050	-0.0102	-0.0201	FJD	1.3569	1.4925
NZD/GBP	0.5156	-0.0004	-0.0019	-0.0037	-0.0077	HKD	4.9483	5.4428
						KRW	813.85	895.18
AU TWI	62.70					MYR	2.7738	3.0510
AUD/USD	0.6934	0.0001	0.0002	-0.0003	-0.0026	NOK	6.2482	6.8726
AUD/NZD	1.0986	0.0005	0.0015	0.0036	0.0041	SEK	6.4138	7.0547
AUD/JPY	93.60	-0.14	-0.55	-1.43	-3.73	SGD	0.8761	0.9636
AUD/EUR	0.6616	-0.0012	-0.0040	-0.0091	-0.0196	TWD	18.73	20.60
AUD/GBP	0.5671	-0.0002	-0.0008	-0.0022	-0.0062	ZAR	10.07	11.07
USD Index	104.65					EQUITIES		
EUR/USD	1.0478	0.0020	0.0065	0.0138	0.0272		Index	
USD/JPY	134.96	-0.23	-0.82	-2.01	-4.93	NZX50	10,589	
GBP/USD	1.2224	0.0005	0.0018	0.0039	0.0081	ASX200	6,475	
EUR/GBP	0.8588	0.0012	0.0040	0.0083	0.0160	Dow Jones	29,889	
						S&P 500	3,675	
INTEREST RATES		New Zealand		Australia		FTSE100	7,016	
		Mid		Mid		DAX 30	13,126	
30 day bank bills		2.26%		1.09%		Nikkei	25,963	
90 day bank bills		2.83%		1.85%		COMMODITIES		
1 year swap		4.11%		3.53%			USD	
2 year swap		4.51%		4.04%		Brent Crude	113.12	
3 year swap		4.54%		4.15%		Gold	1,839.35	
5 year swap		4.51%		4.22%		Silver	21.65	
10 year swap		4.51%		4.35%		Iron Ore	135.69	
3 year Govt bond		4.01%		3.65%		CRB Index	329.50	
5 year Govt bond		4.13%		3.92%			NZD	
10 year Govt bond		4.31%		4.22%		NZ Carbon	76.60	

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