

Wednesday 22 June 2022

NZD/USD 0.6327 -0. NZD/AUD 0.9080 -0. NZD/JPY 86.44 -0. NZD/EUR 0.6009 -0. NZD/GBP 0.5157 -0.	0022 0038 -1.61 0101 0036
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NZD/CNH 4.2343 -0.	0140
	.0142
AUD/USD 0.6968 0.	.0004
AUD/EUR 0.6615 -0.	.0086
EUR/USD 1.0530 0.	.0144
USD/CNH 6.6932 -0.	.0003
GBP/USD 1.2268 0.	.0043
EUR/GBP 0.8584 0.	.0086
INT RATES NZ Aus	tralia
OCR/Cash 2.00% 0).85%
90 day bills 2.83% 1	1.91%
2 year swap 4.43% 3	3.85%
10 year Govt 4.27%	4.15%

Sentiment contained, for now

It was yet another poor performance overnight at the Global Dairy Trade auction, the overall GDT Price Index was down -1.3%, after only just having its first positive result in 5 auctions two weeks ago! Anhydrous milk fat was down -4.75% and Cheddar fell a significant -9%, while whole milk powder was down -0.6%.

The signs are still pointing to a strong dairy payout next session, although the GDT Price Index has been trending lower since the March highs. In the United States, existing home sales declined by 3.4% in May, the lowest reading since June 2020, but broadly in line with estimates. Sales were down for a fourth consecutive month as the exponential spike in US mortgage rates and decades-high inflation takes a toll on household purchasing power and sentiment.

The Chicago Fed National Activity Index is designed to gauge overall economic activity and related inflationary pressure. Given the current economic climate it's perhaps unsurprising that the index came in at an eight-month low of just 0.01 in May, down from 0.40 the previous month. The biggest detractor this month was the personal consumption and housing category. The index's three-month moving average has decreased from 0.39 in April to 0.27 in May, a trend that is certainly in line with overall current market sentiment and conditions. The data also reinforces concerns of a quick slowdown for the US economy.

The S&P 500 has come back strongly following the US holiday, with a 2.5% increase. European and Asian equity markets also made gains, adding to Monday's momentum. The trend was the same for the ASX and NZX, both gaining 1.4% and 1.1% respectively, in a tentative sign that market nerves are holding, for now.

RBA sticking to its guns

The minutes of the June RBA Board meeting confirmed that further rate hikes will be needed and that it is committed to doing what is needed to ensure that inflation returns to its target over time. The Board felt that 25bp increases every meeting this year would be classed as a rapid tightening, but the decision was to front-load rate hikes because the level of interest rates was still very low and stimulatory. In a speech made yesterday just before the minutes of the Board meeting were released, the RBA Governor, Philip Lowe, provided further details of the rates' path. He said that Australians should be prepared for further rate hikes and that the pace and quantum of hikes will be guided by incoming data. He noted that there is no pre-set path on rates but now expected CPI inflation to peak around 7.0% in Q4 and he wanted to ensure inflation expectations remained anchored.

However, the RBA is unlikely to follow the path of the Fed's 0.75% hike after Lowe said that "we discussed 25 or 50bp at the June meeting, will discuss 25 or 50bp at the July meeting as well." Lowe also dismissed market pricing of a 4.00% cash rate by the end of the year. "I don't think it's particularly likely" he said and noted that a rise of that magnitude would sharply slow down the economy. However, Lowe did concede that the market has done a better job on rate pricing than the RBA has!





Barrington





Mid Inth 3mths 6mths 12mths NZD/. NZ TWI 71.40 CAD 0.8172 NZD/USD 0.6327 -0.0003 -0.0010 -0.0022 -0.0041 CHF 0.6116 NZD/JAUD 0.9080 -0.0007 -0.0020 -0.0038 -0.0052 CNY 4.2430 NZD/JPY 86.44 -0.20 -0.70 -1.61 -3.75 DKK 4.4681 NZD/JEUR 0.6009 -0.0015 -0.0048 -0.0101 -0.0197 FJD 1.3662 NZD/GBP 0.5157 -0.0005 -0.0016 -0.0036 -0.0071 HKD 4.9666 KRW 817.40 MYR 2.7813 AUD/VSD 0.6968 0.0001 0.0004 -0.0013 NOK 6.2318 AUD/NZD 1.1008 0.0006 0.0023 0.0042 0.0018 TWD 18.81 AUD/GBP 0.5679 -0.002 -0.0086 -0.0182 TWD 18.81 AUD/GBP 1.05	AUD/				mu)	FECs (I		Spot	FX	
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	USD			3.34%		4.04%			1 year swap	
2	114.59	rude	Brent C	3.85%		4.43%			2 year swap	
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5 year swap 4.47% 4.12% Silver	21.63	Silver		4.12%	4.47%		5 year swap			
10 year swap 4.48% 4.31% Iron Ore	135.69	Iron Ore		4.31%	4.31		4.48%		10 year swap	
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