

# Market Alert

Monday 27 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6312	-0.0019
NZD/AUD	0.9088	-0.0037
NZD/JPY	85.32	-1.54
NZD/EUR	0.5979	-0.0100
NZD/GBP	0.5146	-0.0036
NZD/CNH	4.2223	0.0000
AUD/USD	0.6932	0.0006
AUD/EUR	0.6566	-0.0084
EUR/USD	1.0554	0.0145
USD/CNH	6.6821	0.0000
GBP/USD	1.2262	0.0046
EUR/GBP	0.8601	0.0084

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.81%	1.79%
2 year swap	4.23%	3.54%
10 year Govt	4.04%	3.80%

## Market ponders next Fed move

In June the Fed surprised markets by hiking by 75 bps, more than the 50 bps priced.

Fed Chair, Jerome Powell, referred to the jump in inflation expectations in the University of Michigan's monthly Survey of Consumers as a factor. The latest update of that survey saw 5-year inflation expectation at 3.1%, down from

the preliminary 3.3%. Following this, the market shifted odds slightly towards a 50 bps hike in July and this weighed on the US dollar, and helped lift stock markets at the end of last week. The NZD/USD lifted back above 0.6300 and once more the 0.6200 area has held. There was a similar outcome for the AUD/USD, which is back near 0.6950, with the 0.6850 level holding. The S&P500 was up 3.0% and the US 10-year Treasury was up 7 bps to 3.14%, as the market became slightly less concerned about the recession vs inflation fight.

However, at a conference, San Francisco Fed President, Mary Daly, said "we want to bring inflation down without crippling growth and stalling the labour market," indicating that she would still support another big increase in interest rates in July. We expect this shifting sentiment from both Fed officials and the markets to continue to play havoc with the FX and interest rate markets.

After starting last week significantly lower, the S&P 500 gained some momentum towards the end of the week, as signs that inflation may be moderating and growth slowing, encouraged markets. This was also the case in Europe as markets finished strongly after consecutive daily declines throughout the week.

## Let's see what the week brings

It will be a busy week in the US, with data including June consumer confidence, durable goods orders and the personal consumption expenditures report. It is likely personal income and spending continued to slow down in May as the cost of everyday purchases keeps trending higher globally, as we've seen through CPI data in the last week.

On the European data front, key economic releases on inflation and unemployment will be released in the Eurozone. Price growth across the EU is expected to hit another record high of 8.3% in June, while the unemployment rate is expected to be unchanged at a record low.

In China, two separate manufacturing PMI readings will likely show that the sector remains in contractionary territory, due to the prolonged effect of work stoppages and despite the improvement in the pandemic situation.

Attention will be given to the forum on central banking, organised by the ECB, where Fed Chairman Powell, ECB President Lagarde, and BoE Governor Bailey, will be speaking.



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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	70.80					CAD	0.8136	0.8948
NZD/USD	0.6312	-0.0002	-0.0009	-0.0019	-0.0049	CHF	0.6046	0.6650
NZD/AUD	0.9088	-0.0005	-0.0018	-0.0037	-0.0059	CNY	4.2249	4.6465
NZD/JPY	85.32	-0.17	-0.66	-1.54	-3.63	DKK	4.4493	4.8863
NZD/EUR	0.5979	-0.0014	-0.0047	-0.0100	-0.0201	FJD	1.3648	1.4988
NZD/GBP	0.5146	-0.0004	-0.0016	-0.0036	-0.0077	HKD	4.9542	5.4408
						KRW	813.55	893.46
AU TWI	61.80					MYR	2.7773	3.0501
AUD/USD	0.6932	0.0001	0.0004	0.0006	-0.0007	NOK	6.2104	6.8205
AUD/NZD	1.0997	0.0005	0.0018	0.0041	0.0053	SEK	6.3956	7.0238
AUD/JPY	93.83	-0.14	-0.54	-1.33	-3.42	SGD	0.8746	0.9605
AUD/EUR	0.6566	-0.0012	-0.0039	-0.0084	-0.0181	TWD	18.75	20.59
AUD/GBP	0.5651	-0.0002	-0.0007	-0.0017	-0.0049	ZAR	9.97	10.95
USD Index	104.12					<b>EQUITIES</b>		
EUR/USD	1.0554	0.0020	0.0068	0.0145	0.0284		<b>Index</b>	
USD/JPY	135.17	-0.22	-0.85	-2.04	-5.03	NZX50	10,814	
GBP/USD	1.2262	0.0005	0.0021	0.0046	0.0097	ASX200	6,579	
EUR/GBP	0.8601	0.0012	0.0040	0.0084	0.0162	Dow Jones	31,501	
						S&P 500	3,912	
						FTSE100	7,209	
						DAX 30	13,118	
						Nikkei	26,492	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>			
			<b>Mid</b>		<b>Mid</b>			
30 day bank bills			2.31%		1.11%			
90 day bank bills			2.81%		1.79%			
1 year swap			3.95%		3.09%			
2 year swap			4.23%		3.54%			
3 year swap			4.28%		3.61%			
5 year swap			4.26%		3.76%			
10 year swap			4.24%		3.97%			
3 year Govt bond			3.76%		3.22%			
5 year Govt bond			3.86%		3.50%			
10 year Govt bond			4.04%		3.80%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	113.12	
						Gold	1,826.18	
						Silver	21.11	
						Iron Ore	129.71	
						CRB Index	318.37	
							<b>NZD</b>	
						NZ Carbon	75.95	

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