

Market Alert

Wednesday 29 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6241	-0.0016
NZD/AUD	0.9038	-0.0035
NZD/JPY	85.01	-1.53
NZD/EUR	0.5932	-0.0095
NZD/GBP	0.5121	-0.0033
NZD/CNH	4.1857	-0.0122
AUD/USD	0.6905	0.0008
AUD/EUR	0.6561	-0.0081
EUR/USD	1.0520	0.0143
USD/CNH	6.7057	-0.0017
GBP/USD	1.2183	0.0044
EUR/GBP	0.8633	0.0084

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.85%	1.86%
2 year swap	4.15%	3.61%
10 year Govt	3.97%	3.82%

ECB sticks to the plan

During her speech at the ECB's annual forum in Portugal, President Lagarde maintained the view that the ECB will continue its policy normalisation path and will go as far as necessary to bring Euro Area inflation back to the 2.00% target, stating "If the inflation outlook does not improve, we will have sufficient information to move faster. This commitment is, however, data dependent."

While sticking to the inflationary fighting narrative, Lagarde also somewhat played down recessionary concerns, stating "We have markedly revised down our forecasts for growth in the next two years. But we

are still expecting positive growth rates due to the domestic buffers against the loss of growth momentum". This comes at a time when economists are assessing whether or not the eurozone will escape a recession this year. The region, much like other global economies, has seen growth levels deteriorate amid an energy crisis, sanctions on Russia and food insecurity.

Lagarde also confirmed that net asset purchases will end on July 1st and interest rates will be raised by 25bps also in July, which will be the first rate hike in 11 years. At the same time, Lagarde reiterated the central bank will be flexible when net asset purchases end and could reinvest some redemptions in bond markets where orderly transmission is at risk.

Elsewhere in the world

The US Dollar Index is back at 104, and still at elevated levels following hawkish comments from New York Federal Reserve Bank President, John Williams. Williams reiterated that the Fed must act aggressively to curb the highest inflation in four decades by bringing interest rates to between 3.00% and 3.50% by the end of this year. The fight against inflation is one policymakers globally are battling with and whether a recession can be avoided is something only time will reveal, but it's not looking promising.

Other US data overnight showed that June conference board consumer

confidence fell from 103.2 to 98.7, the weakest level since 2013. Expectations fell from 73.7 to 66.4 and the current situation index fell from 147.4 to 147.1. This contributed to another fall in US equity markets, particularly the NASDAQ, which is down 3.0% this morning. The average 12-month inflation expectations rose from 7.5% to 8.0%, which will provide more ammunition for the Fed to consider a 75bp rate hike again in July.

Overnight, market volatility continued, with the S&P 500 down 1.5%, reversing gains earlier in the week. European and Asian markets were either flat or slightly up. A resurging USD has meant seen the NZD/USD tumble back below 0.6300, currently at 0.6241 and potentially setting up for another test of multi-year lows near 0.6200. The NZD/AUD is slightly weaker, at 0.9038, both currencies impacted by the stronger USD theme.



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Daily Rates

Wednesday 29 June 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8037	0.8895
NZD/USD	0.6241	-0.0002	-0.0007	-0.0016	-0.0023	CHF	0.5976	0.6614
NZD/AUD	0.9038	-0.0005	-0.0019	-0.0035	-0.0048	CNY	4.1906	4.6355
NZD/JPY	85.01	-0.17	-0.65	-1.53	-3.61	DKK	4.4119	4.8813
NZD/EUR	0.5932	-0.0013	-0.0046	-0.0095	-0.0190	FJD	1.3550	1.4991
NZD/GBP	0.5121	-0.0004	-0.0016	-0.0033	-0.0068	HKD	4.8982	5.4194
						KRW	805.59	891.30
AU TWI	62.00					MYR	2.7429	3.0347
AUD/USD	0.6905	0.0002	0.0006	0.0008	-0.0005	NOK	6.1395	6.7927
AUD/NZD	1.1061	0.0005	0.0020	0.0036	0.0049	SEK	6.3392	7.0136
AUD/JPY	94.06	-0.13	-0.52	-1.36	-3.48	SGD	0.8661	0.9582
AUD/EUR	0.6561	-0.0011	-0.0037	-0.0081	-0.0174	TWD	18.54	20.52
AUD/GBP	0.5666	-0.0001	-0.0006	-0.0017	-0.0044	ZAR	10.04	11.10
USD Index	104.47					EQUITIES		
EUR/USD	1.0520	0.0019	0.0068	0.0143	0.0276		Index	
USD/JPY	136.18	-0.22	-0.87	-2.10	-5.11	NZX50	11,019	
GBP/USD	1.2183	0.0005	0.0019	0.0044	0.0088	ASX200	6,764	
EUR/GBP	0.8633	0.0012	0.0039	0.0084	0.0164	Dow Jones	30,973	
						S&P 500	3,831	
INTEREST RATES			New Zealand		Australia	FTSE100	7,323	
			Mid		Mid	DAX 30	13,232	
30 day bank bills			2.37%		1.18%	Nikkei	27,049	
90 day bank bills			2.85%		1.86%	COMMODITIES		
1 year swap			3.90%		3.15%		USD	
2 year swap			4.15%		3.61%	Brent Crude	117.81	
3 year swap			4.19%		3.73%	Gold	1,818.87	
5 year swap			4.15%		3.82%	Silver	20.80	
10 year swap			4.17%		4.01%	Iron Ore	130.93	
3 year Govt bond			3.67%		3.28%	CRB Index	321.05	
5 year Govt bond			3.78%		3.56%		NZD	
10 year Govt bond			3.97%		3.82%	NZ Carbon	76.10	

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