

Market Alert

Thursday 30 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6219	-0.0016
NZD/AUD	0.9046	-0.0036
NZD/JPY	84.95	-1.65
NZD/EUR	0.5958	-0.0104
NZD/GBP	0.5132	-0.0037
NZD/CNH	4.1717	-0.0141
AUD/USD	0.6873	0.0009
AUD/EUR	0.6582	-0.0089
EUR/USD	1.0438	0.0154
USD/CNH	6.7069	-0.0057
GBP/USD	1.2117	0.0055
EUR/GBP	0.8614	0.0086

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.86%	1.85%
2 year swap	4.13%	3.52%
10 year Govt	3.99%	3.78%

Don't take on the BoJ

Unlike George Soros taking on the BoE back in the day, there is unlikely to be a repeat of his heroics in the modern era with the BoJ sticking to its guns.

BoJ's head honcho, Haruhiko Kuroda, once again reiterated the need to maintain accommodative monetary policy. Kuroda insisted that inflation in Japan is mainly being driven by international energy prices and that he sees no need to divert from the Bank's ultra easy policy, unlike nearly every other global central bank.

Speaking to the Bank for International Settlements, Kuroda said that Japan's core CPI, excluding fresh food, reached 2.1% in April and May, due almost wholly to international energy price increases, and, unlike other economies, the Japanese economy has not been greatly affected by the global inflationary trend, so monetary policy will continue to be accommodative.

The BoJ went below 1.0% in 1995 (about 27 years ago) and will be damned if it's going to escape the low interest trap any time soon. Kuroda also added that the 15 year deflation experienced in Japan made firms very cautious in raising prices and wages.

The yen weakened a touch on the headlines but has seen a significant weakening trend over the last four months. The USD/JPY has climbed from 115.00 at the start of March to 136.00 currently, or an 18.4% increase.

Elsewhere on the data front, Australian consumers may be less glum than the headlines suggest after retail sales data unexpectedly rose. Retail sales were up 0.9% in May, and 10.4% from a year earlier with volumes, not just prices, increasing.

Contrast that with last week's weakest consumer sentiment reading since the height of the 2020 lockdowns. Australian services PMI data released yesterday trickled lower from 53.2 to 52.6.

It's not looking good

In the USA, cracks are beginning to show. The economy contracted an annualised 1.6% in Q1 2022, marginally worse than a 1.5% contraction expected. It is the first contraction since the pandemic-induced recession in 2020 as record trade deficits, supply chain issues, labour shortages and astronomical inflation weigh heavily.

During the ECB's annual conference, Fed Chair, Jerome Powell, noted that the United States economy remains "in pretty strong shape" and that the economy is well positioned to withstand tighter monetary policy, while avoiding recession or a significant rise in the unemployment rate, as he hopes growth will remain positive. This was similar to the language used by ECB President, Christine Lagarde, with a firm view on necessary monetary policy requirements, while remaining optimistic on future growth prospects. It is a balancing act that central banks globally are battling with.

Markets were relatively tame overnight with the S&P up slightly, while European markets were lower, ranging between 0.2%-1.9%. Asian markets performed much the same, as the unsurprising risk off tone in markets continues.

The NZD/USD is down further today, closer to the 0.6000 level currently holding at 0.6224, and the NZD/AUD is currently holding at 0.9047.



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Daily Rates

Thursday 30 June 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.60					CAD	0.8019	0.8865
NZD/USD	0.6219	-0.0002	-0.0008	-0.0016	-0.0027	CHF	0.5937	0.6563
NZD/AUD	0.9046	-0.0006	-0.0020	-0.0036	-0.0049	CNY	4.1613	4.6030
NZD/JPY	84.95	-0.18	-0.68	-1.65	-3.61	DKK	4.4316	4.8976
NZD/EUR	0.5958	-0.0014	-0.0048	-0.0104	-0.0192	FJD	1.3537	1.4961
NZD/GBP	0.5132	-0.0004	-0.0016	-0.0037	-0.0069	HKD	4.8794	5.3926
						KRW	809.32	894.42
AU TWI	61.80					MYR	2.7351	3.0227
AUD/USD	0.6873	0.0002	0.0006	0.0009	-0.0003	NOK	6.1490	6.7956
AUD/NZD	1.1050	0.0006	0.0020	0.0039	0.0048	SEK	6.3666	7.0362
AUD/JPY	93.89	-0.15	-0.56	-1.47	-3.55	SGD	0.8666	0.9577
AUD/EUR	0.6582	-0.0012	-0.0039	-0.0089	-0.0181	TWD	18.48	20.43
AUD/GBP	0.5672	-0.0001	-0.0005	-0.0020	-0.0049	ZAR	10.09	11.15
USD Index	105.10					EQUITIES		
EUR/USD	1.0438	0.0021	0.0069	0.0154	0.0283		Index	
USD/JPY	136.56	-0.24	-0.91	-2.32	-5.20	NZX50	10,959	
GBP/USD	1.2117	0.0005	0.0021	0.0055	0.0095	ASX200	6,700	
EUR/GBP	0.8614	0.0013	0.0042	0.0086	0.0163	Dow Jones	30,999	
						S&P 500	3,816	
INTEREST RATES		New Zealand		Australia		FTSE100	7,312	
		Mid		Mid		DAX 30	13,003	
30 day bank bills		2.39%		1.19%		Nikkei	26,805	
90 day bank bills		2.86%		1.85%		COMMODITIES		
1 year swap		3.89%		3.16%			USD	
2 year swap		4.13%		3.52%		Brent Crude	115.45	
3 year swap		4.17%		3.63%		Gold	1,818.18	
5 year swap		4.13%		3.85%		Silver	20.74	
10 year swap		4.17%		4.07%		Iron Ore	131.01	
3 year Govt bond		3.68%		3.21%		CRB Index	319.30	
5 year Govt bond		3.79%		3.49%			NZD	
10 year Govt bond		3.99%		3.78%		NZ Carbon	76.00	

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