

Market Alert

Tuesday 7 June 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6492	-0.0025
NZD/AUD	0.9024	-0.0049
NZD/JPY	85.60	-1.29
NZD/EUR	0.6070	-0.0087
NZD/GBP	0.5180	-0.0029
NZD/CNH	4.3199	-0.0056
AUD/USD	0.7193	0.0011
AUD/EUR	0.6726	-0.0062
EUR/USD	1.0694	0.0116
USD/CNH	6.6554	0.0159
GBP/USD	1.2531	0.0025
EUR/GBP	0.8534	0.0076

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.35%
90 day bills	2.49%	1.24%
2 year swap	3.88%	3.20%
10 year Govt	3.62%	3.47%

Happy birthday, Lizzie

First day back after the Queen's birthday holiday and we're straight back into it with the RBA interest rate announcement this afternoon at 2.30pm AEST, or 4.30 NZ time.

Following on from the RBA's 25bp hike on 3 May, all cards are now fully on the table, with 25, 40 or even 50 basis point hikes touted as possible options by various economists. A pick-up in the pace of tightening appears both logical and acceptable to the markets, so let's hedge our bets, suggesting 40bps as the most likely course of action.

The treacherous world of UK politics has risen its ugly head again, with the Conservative party holding a secret vote of confidence (or no confidence, depending on which side of the fence you are on) in Prime Minister, Boris Johnson, after he was booed during the Queen's anniversary celebrations. Young Boris has managed to hold onto power although he had to promise a tax cut, which will invariably add further inflationary pressures to the UK economy.

The Chinese Caixin services PMI release saw the headline number increase to 41.4 in May, from April's 26 month low of 36.2, the index's third straight month in contractionary territory. New orders continued to decline while employment fell modestly, with the rate of redundancies increasing to its fastest pace in 15 months.

Financial markets have been relatively subdued overnight with equity markets making modest gains after spending part of the session in negative territory. With markets displaying such passiveness, Treasury yields have been the focus, with the 10-year T-bond yield now up for its 6th consecutive day, increasing 10bps overnight to 3.04%.

Since its low on 6 May, the 10-year yield has risen an incredible 33 basis points, which has spilled over into the commodity currencies with the NZD and AUD off -0.3% against the USD.

What's coming up?

Following on from the RBA today, the key data releases later in the week are Friday's ECB meeting, with the key question being whether Ms Lagarde and her colleagues attempt to catch the market off-guard and announce the ending of their QE programme and an interest rate hike at the same meeting? We suspect this probably won't happen given a rate hike this week would undermine the ECB's credibility and forward guidance.

On Saturday morning, we have the US CPI print with the real question being, how much worse can it get? With gasoline prices hitting new highs and food prices under upward pressure, the market is calling for the annual rate to remain above 8.0%, although core inflation may slow marginally towards 6.0%.

Across the Asian-Pacific rim, the end of the week brings us the Chinese CPI, PPI, and trade numbers. Inflation is expected to be around the 2.25% level, with food prices underpinning the headline number, while PPI is expected to have eased back to the 7.0% level. Interestingly, Chinese exports and imports should have grown faster in May than in April, given the recovery in port operations and factory deliveries as the government looks to re-open its export sector.

In New Zealand we have the ANZ commodity price and truckometer releases.



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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	72.59					CAD	0.8163	0.9047
NZD/USD	0.6492	-0.0003	-0.0011	-0.0025	-0.0045	CHF	0.6303	0.6984
NZD/AUD	0.9024	-0.0009	-0.0026	-0.0049	-0.0060	CNY	4.3202	4.7875
NZD/JPY	85.60	-0.14	-0.54	-1.29	-3.08	DKK	4.5151	5.0039
NZD/EUR	0.6070	-0.0011	-0.0041	-0.0087	-0.0176	FJD	1.3941	1.5456
NZD/GBP	0.5180	-0.0002	-0.0012	-0.0029	-0.0061	HKD	5.0922	5.6433
						KRW	814.46	902.65
AU TWI	63.50					MYR	2.8663	3.1734
AUD/USD	0.7193	0.0003	0.0009	0.0011	-0.0002	NOK	6.1219	6.7845
AUD/NZD	1.1082	0.0011	0.0032	0.0060	0.0074	SEK	6.3595	7.0477
AUD/JPY	94.86	-0.07	-0.32	-0.94	-2.83	SGD	0.8936	0.9902
AUD/EUR	0.6726	-0.0008	-0.0027	-0.0062	-0.0153	TWD	19.10	21.17
AUD/GBP	0.5740	0.0002	0.0003	-0.0002	-0.0031	ZAR	10.02	11.11
USD Index	102.41					EQUITIES		
EUR/USD	1.0694	0.0017	0.0056	0.0116	0.0246		Index	
USD/JPY	131.86	-0.16	-0.61	-1.51	-3.90	NZX50	11,417	
GBP/USD	1.2531	0.0002	0.0009	0.0025	0.0065	ASX200	7,206	
EUR/GBP	0.8534	0.0012	0.0038	0.0076	0.0151	Dow Jones	32,900	
						S&P 500	4,121	
						FTSE100	7,608	
						DAX 30	14,654	
						Nikkei	27,916	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		2.01%		0.59%		Brent Crude	119.27	
90 day bank bills		2.49%		1.24%		Gold	1,842.25	
1 year swap		3.55%		2.66%		Silver	22.09	
2 year swap		3.88%		3.20%		Iron Ore	143.00	
3 year swap		3.94%		3.38%		CRB Index	344.45	
5 year swap		3.94%		3.68%			NZD	
10 year swap		4.00%		3.86%		NZ Carbon	77.07	
3 year Govt bond		3.41%		2.98%				
5 year Govt bond		3.47%		3.21%				
10 year Govt bond		3.68%		3.47%				

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