

Market Alert

Friday 1 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6246	-0.0016
NZD/AUD	0.9046	-0.0035
NZD/JPY	84.75	-1.64
NZD/EUR	0.5958	-0.0103
NZD/GBP	0.5130	-0.0038
NZD/CNH	4.1679	-0.0156
AUD/USD	0.6903	0.0009
AUD/EUR	0.6586	-0.0089
EUR/USD	1.0480	0.0156
USD/CNH	6.6926	-0.0060
GBP/USD	1.2171	0.0055
EUR/GBP	0.8607	0.0087

INT RATES	NZ	Australia
OCR/Cash	2.00%	0.85%
90 day bills	2.89%	1.86%
2 year swap	4.05%	3.37%
10 year Govt	3.93%	3.74%

China to the rescue?

We trust everyone had a good financial year end? Or is the fun just about to start?

China's official June PMIs improved in June as lockdown restrictions were lifted in places. Both the manufacturing and non-manufacturing PMIs climbed above 50 (denoting expansion), at 50.2 and 54.7 respectively, after 3 months in contraction. The non-manufacturing (aka services) PMI in particular was well above the previous reading at 47.8. Will the Chinese economy

improve over the next six months and lift global growth?

New Zealand might need the help after the latest business confidence survey hit -62.6%, down a further 7 points and a shade off the record March 2020 low. Own activity, a good proxy for GDP, fell to -9.1% the lowest level since the GFC if you take out 2020. Agriculture is particularly gloomy with -94.4% headline confidence, however, operators are a bit more positive about their own prospects, with own activity at +22.2%.

Japanese industrial production declined by a staggering 7.2% in May, surprising markets, which had expectation of just a 0.3% fall after a minor decline of 1.5% last month. One of the sectors with the largest decline came from Japan's main export, motor vehicles falling 8.0%. On an annual basis, industrial output fell 2.8% in May.

Ever changing expectations

Expectations for central bank hikes over the next 12 months have changed considerably over the last month, driving significant volatility in interest rate and currency markets. Looking at data from the beginning, middle and end of June, the market has added and removed hike expectations at a rate not seen in a very long time.

Implied market expectations for the RBNZ's OCR in 12 months' time have gone from 4.10% to 4.75% and back to 4.10% over the course of June. At the same time, expectations for the RBA's cash rate in April next year have gone from 3.10% to 3.69% to 4.75%. For the Fed, it has gone from 2.99% to 3.93% to 3.57% for June next year. The NZD has suffered somewhat on the paring back of expectations, but the AUD has not managed to gain despite an extra 65bp on hikes by March priced in now. The USD was the clear winner in June, but any reversal of Fed expectations in July will likely see USD weakness.

We are all aware, markets have been far from stable for some time now, due to lingering concerns over a deteriorating economic growth outlook amid stubbornly high inflation and the likely outcome of a longer than expected tightening cycle, which could tip the economy into a recession. The Dow Jones and the S&P 500 are headed for their worst first half performances since 1962 and 1970, respectively, while the Nasdaq was on track for its worst ever half-year run. Rampant inflation that central banks globally failed to forecast, consequential aggressive interest rate hikes, and recession risks drove much of the sell-off in equity markets in the first six months, with COVID-19 lockdowns in China and Russia's invasion of Ukraine also driving volatility.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 1 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.40					CAD	0.8039	0.8884
NZD/USD	0.6246	-0.0002	-0.0007	-0.0016	-0.0023	CHF	0.5961	0.6589
NZD/AUD	0.9046	-0.0005	-0.0017	-0.0035	-0.0050	CNY	4.1685	4.6125
NZD/JPY	84.75	-0.18	-0.66	-1.64	-3.58	DKK	4.4322	4.8986
NZD/EUR	0.5958	-0.0014	-0.0047	-0.0103	-0.0193	FJD	1.3764	1.5212
NZD/GBP	0.5130	-0.0004	-0.0015	-0.0038	-0.0070	HKD	4.9007	5.4162
						KRW	804.95	889.62
AU TWI	61.80					MYR	2.7520	3.0415
AUD/USD	0.6903	0.0002	0.0005	0.0009	-0.0002	NOK	6.1487	6.7955
AUD/NZD	1.1049	0.0005	0.0019	0.0037	0.0046	SEK	6.3874	7.0593
AUD/JPY	93.67	-0.15	-0.55	-1.46	-3.44	SGD	0.8676	0.9588
AUD/EUR	0.6586	-0.0012	-0.0039	-0.0089	-0.0180	TWD	18.59	20.54
AUD/GBP	0.5670	-0.0002	-0.0006	-0.0020	-0.0048	ZAR	10.16	11.22
USD Index	104.74					EQUITIES		
EUR/USD	1.0480	0.0021	0.0069	0.0156	0.0291		Index	
USD/JPY	135.71	-0.25	-0.90	-2.29	-5.12	NZX50	10,869	
GBP/USD	1.2171	0.0006	0.0022	0.0055	0.0098	ASX200	6,568	
EUR/GBP	0.8607	0.0013	0.0040	0.0087	0.0164	Dow Jones	30,780	
						S&P 500	3,790	
INTEREST RATES		New Zealand		Australia		FTSE100	7,169	
		Mid		Mid		DAX 30	12,784	
30 day bank bills		2.42%		1.19%		Nikkei	26,393	
90 day bank bills		2.89%		1.86%		COMMODITIES		
1 year swap		3.87%		3.06%			USD	
2 year swap		4.05%		3.37%		Brent Crude	114.88	
3 year swap		4.07%		3.49%		Gold	1,806.83	
5 year swap		4.02%		3.75%		Silver	20.26	
10 year swap		4.09%		3.99%		Iron Ore	130.46	
3 year Govt bond		3.62%		3.13%		CRB Index	310.57	
5 year Govt bond		3.73%		3.42%			NZD	
10 year Govt bond		3.93%		3.74%		NZ Carbon	76.00	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED