

Market Alert

Tuesday 12 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6113	-0.0013
NZD/AUD	0.9073	-0.0034
NZD/JPY	83.97	-1.61
NZD/EUR	0.6086	-0.0102
NZD/GBP	0.5139	-0.0036
NZD/CNH	4.1096	-0.0181
AUD/USD	0.6737	0.0010
AUD/EUR	0.6706	-0.0088
EUR/USD	1.0042	0.0148
USD/CNH	6.7237	-0.0164
GBP/USD	1.1894	0.0056
EUR/GBP	0.8444	0.0080

INT RATES	NZ	Australia
OCR/Cash	2.00%	1.35%
90 day bills	2.96%	2.03%
2 year swap	3.86%	3.39%
10 year Govt	3.79%	3.59%

Stocks start the week in the red

International pricing pressures, a wave of monetary tightening by central banks, and a slowing global economy saw equity markets start the week in negative territory, with most bourses -0.50% to -1.05% lower. Twitter fell almost 10% after Elon Musk said he planned to cancel his USD44 billion takeover because the social media company had “violated several merger agreement provisions.” Ouch!

There was a similar performance in commodity markets, with a broad weakening trend in place. Crude fell

another -1.0%, but, as with the equity markets, there was a standout performer with US natural gas futures jumping 10% – buoyed by strong domestic and international demand.

The US Dollar Index topped the 108 level for the first time since October 2002 as investors increased their bets that the Federal Reserve will move even more aggressively to tame inflation, even if it hampers growth. This saw the EUR/USD target parity as the pair depreciated below 1.0100 to reach its lowest level in 20 years on concerns the energy crisis would send Europe into a deep recession and make it more difficult for the ECB to tighten monetary policy.

The NZD/USD also dipped lower, bottoming out at 0.6097. The AUD/USD is currently sitting just above its intra-day low of 0.6714.

Billionaire investor, Leon Cooperman, said it best when he reminded everyone that a stronger dollar is “negative for corporate profits” and while Microsoft has already issued a profit warning due to the stronger USD, there is an interesting conversation developing whereby analysts are betting corporate America will be able to pass on higher costs to consumers, while market strategists aren’t convinced that’s the case.

And here is a perfect piece of advice from former PIMCO bond king, Bill Goss, for those people looking to buy dips in bonds,

stocks, and commodities ... “just don’t!” Despite the old Wall Street adage that there’s always a bull market somewhere, Bill is “straining to find one now.” Mr Goss predicts that the Fed will “create a mild recession that will gradually lower inflation” and that, “12-month Treasuries at 2.7% are better than your money market fund and almost all other alternatives.”

Geopolitics at play

China’s Foreign Minister, Wang Yi, and US Secretary of State, Antony Blinken, met yesterday in what was described as “candid discussions” during which, “neither side held back”.

Ahead of President Biden’s trip to Saudi Arabia, the ‘oil whisperer’ announced, “The market should not worry about Saudi Arabia’s ability to hike output to meet growing demand. There should be no doubt that Saudi Arabia can fulfil its quota and go beyond, if called upon.”

Concerns are mounting over the risk of a full scale bank run in China after 6 banks across the Henan and Anhui provinces have effectively frozen deposits while protestors outside PBoC branches across the region have been taken away by security forces.

New Zealand credit card spending rose just 0.1% in June as consumption “effectively stalled in the face of continued price rises and growing pressure on household budgets”.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Tuesday 12 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.7946	0.8756
NZD/USD	0.6112	-0.0002	-0.0006	-0.0013	-0.0020	CHF	0.6010	0.6621
NZD/AUD	0.9074	-0.0006	-0.0018	-0.0035	-0.0049	CNY	4.1156	4.5291
NZD/JPY	84.00	-0.20	-0.66	-1.61	-3.46	DKK	4.5272	4.9872
NZD/EUR	0.6086	-0.0015	-0.0047	-0.0101	-0.0193	FJD	1.3468	1.4837
NZD/GBP	0.5136	-0.0005	-0.0016	-0.0036	-0.0067	HKD	4.7978	5.2853
						KRW	801.38	882.80
AU TWI	61.60					MYR	2.7046	2.9794
AUD/USD	0.6813	0.0002	0.0007	0.0011	0.0000	NOK	6.2311	6.8642
AUD/NZD	0.6535	0.0006	0.0021	0.0033	0.0043	SEK	6.4984	7.1587
AUD/JPY	92.54	-0.16	-0.55	-1.44	-3.39	SGD	0.8590	0.9463
AUD/EUR	0.6702	-0.0013	-0.0039	-0.0088	-0.0183	TWD	18.25	20.10
AUD/GBP	0.5658	-0.0002	-0.0006	-0.0018	-0.0049	ZAR	10.46	11.52
USD Index	108.19					EQUITIES		
EUR/USD	1.0042	0.0022	0.0067	0.0148	0.0275		Index	
USD/JPY	137.42	-0.29	-0.95	-2.35	-5.11	NZX50	11,106	
GBP/USD	1.1896	0.0007	0.0023	0.0056	0.0099	ASX200	6,602	
EUR/GBP	0.8440	0.0013	0.0039	0.0082	0.0161	Dow Jones	31,174	
						S&P 500	3,854	
						FTSE100	7,197	
						DAX 30	12,832	
						Nikkei	26,812	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			2.53%		1.45%			
90 day bank bills			2.96%		2.03%			
1 year swap			3.84%		3.15%			
2 year swap			3.89%		3.39%			
3 year swap			3.85%		3.47%			
5 year swap			3.80%		3.63%			
10 year swap			3.87%		3.88%			
3 year Govt bond			3.51%		2.98%			
5 year Govt bond			3.57%		3.25%			
10 year Govt bond			3.79%		3.59%			
						COMMODITIES		
							USD	
						Brent Crude	106.50	
						Gold	1,733.22	
						Silver	19.09	
						Iron Ore	113.74	
						CRB Index	307.15	
							NZD	
						NZ Carbon	73.00	

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