

Market Alert

Wednesday 13 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6128	-0.0013
NZD/AUD	0.9065	-0.0037
NZD/JPY	83.86	-1.64
NZD/EUR	0.6107	-0.0105
NZD/GBP	0.5153	-0.0038
NZD/CNH	4.1294	-0.0180
AUD/USD	0.6760	0.0014
AUD/EUR	0.6735	-0.0088
EUR/USD	1.0033	0.0152
USD/CNH	6.7382	-0.0149
GBP/USD	1.1889	0.0058
EUR/GBP	0.8438	0.0082

INT RATES	NZ	Australia
OCR/Cash	2.00%	1.35%
90 day bills	3.00%	2.04%
2 year swap	3.90%	3.33%
10 year Govt	3.75%	3.49%

Which will crack parity first – Bitcoin or the Euro?

Considering the EUR/USD traded at 1.00 overnight I'd say the odds are with the EUR however, I wouldn't bet against bitcoin after it fell 5.0% overnight and is now below the USD20,000 level.

Interestingly, strategists remain bearish on the EUR, which won't help the NZD and AUD bulls. Goldman Sachs are forecasting the EUR/USD will fall to the 0.9600 level as, "we have downgraded our Euro area baseline growth expectations for the next year by about

75bp, while also flagging the risk of a more severe downturn if gas flows from Russia are interrupted entirely." Meanwhile, others are calling for a 0.9500 handle by mid August.

In terms of the actual data, the German ZEW economic sentiment indicator tumbled to -53.8 in July from -28 in June, well below expectations of -38.3, as the index reached its lowest level since December 2011.

It was a similar story with the IBD/TIPP economic optimism index in the US, which increased slightly to 38.5 in July although it still remains close to June's 38.1, an 11-year low. The household financial outlook deteriorated further to a record low of 45.3. US consumer inflation expectations for the year ahead also contributed to the pessimistic outlook after they surged to a record high reaching 6.8% in June from May's 6.6%.

Australian monthly consumer sentiment survey dropped another 3.0% to 83.8 highlighting, "the index has now fallen -19.7% since December 2021, a precipitous tumble comparable to the 2 month plunge during COVID-19 (-20.8%) and the 6 month decline heading into the GFC (-29.7%)."

In the UK, data from payments processor Barclaycard shows that while consumer spending increased 6.2% in the year to June, utility spending increased a staggering 39.6% as "Consumers are having to budget and seek out value for both essential and non-essential purchases!"

In Japan, wholesale import costs (priced in JPY) are up 46.3% in the year to June while PPIs increased 0.7% on the month and 9.2% annualised.

We also had a bit of central bank chit-chat overnight with Fed member, Tom Barkin, announcing, "the expectation is for another elevated CPI report. Likely we will need to raise rates into restrictive territory. I back raising rates to neutral 'expeditiously' as we can (although) I would 'take seriously' a negative Q2 GDP reading. I am concerned that post-pandemic adjustments will make inflation harder to control and whether the US will have the financial capacity to fight future downturns."

The BoE Governor, Andrew Bailey, was also vocal stating, "bringing inflation down to the 2.0% target sustainably is our job. We will be particularly alert to indications of more persistent inflation pressures. Options other than 25bps hikes are on the table. The BoE balance sheet should not be kept indefinitely large although we will not sell gilts into a troubled market."

So, we should expect more of the same, which is what we got! Equity markets are a sea of red falling 1.0%-2.0%, commodities also down with oil off another -8.0%. The US 10 Years T-bond has eased back to the 2.95% level. Strangely, as a bit of an outlier, the NZD and AUD both firmed a touch.



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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	70.20					CAD	0.7977	0.8801
NZD/USD	0.6128	-0.0002	-0.0008	-0.0013	-0.0014	CHF	0.6018	0.6640
NZD/AUD	0.9065	-0.0006	-0.0022	-0.0037	-0.0052	CNY	4.1303	4.5555
NZD/JPY	83.86	-0.19	-0.69	-1.64	-3.46	DKK	4.5429	5.0110
NZD/EUR	0.6107	-0.0015	-0.0049	-0.0105	-0.0198	FJD	1.3480	1.4870
NZD/GBP	0.5153	-0.0005	-0.0017	-0.0038	-0.0069	HKD	4.8104	5.3065
						KRW	800.46	883.01
AU TWI	61.00					MYR	2.7178	2.9981
AUD/USD	0.6813	0.0003	0.0008	0.0014	0.0000	NOK	6.2831	6.9298
AUD/NZD	0.6535	0.0007	0.0021	0.0042	0.0050	SEK	6.4810	7.1498
AUD/JPY	92.49	-0.15	-0.54	-1.45	-3.34	SGD	0.8625	0.9514
AUD/EUR	0.6735	-0.0012	-0.0038	-0.0088	-0.0183	TWD	18.31	20.20
AUD/GBP	0.5684	-0.0001	-0.0005	-0.0020	-0.0048	ZAR	10.43	11.51
USD Index	108.14					EQUITIES		
EUR/USD	1.0033	0.0022	0.0068	0.0152	0.0281		Index	
USD/JPY	136.81	-0.28	-0.95	-2.42	-5.12	NZX50	11,103	
GBP/USD	1.1889	0.0007	0.0023	0.0058	0.0102	ASX200	6,606	
EUR/GBP	0.8438	0.0013	0.0040	0.0082	0.0163	Dow Jones	30,984	
						S&P 500	3,808	
						FTSE100	7,210	
						DAX 30	12,905	
						Nikkei	26,337	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		2.56%		1.46%		Brent Crude	99.10	
90 day bank bills		3.00%		2.04%		Gold	1,724.93	
1 year swap		3.81%		3.07%		Silver	18.90	
2 year swap		3.90%		3.33%		Iron Ore	109.97	
3 year swap		3.85%		3.37%		CRB Index	294.61	
5 year swap		3.78%		3.51%			NZD	
10 year swap		3.81%		3.78%		NZ Carbon	72.87	
3 year Govt bond		3.50%		2.89%				
5 year Govt bond		3.56%		3.15%				
10 year Govt bond		3.75%		3.49%				

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