

Market Alert

Thursday 14 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6130	-0.0004
NZD/AUD	0.9069	-0.0031
NZD/JPY	84.21	-1.65
NZD/EUR	0.6097	-0.0100
NZD/GBP	0.5155	-0.0036
NZD/CNH	4.1226	-0.0178
AUD/USD	0.6761	0.0017
AUD/EUR	0.6723	-0.0088
EUR/USD	1.0056	0.0158
USD/CNH	6.7242	-0.0213
GBP/USD	1.1890	0.0066
EUR/GBP	0.8455	0.0081

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.03%	2.03%
2 year swap	3.87%	3.35%
10 year Govt	3.70%	3.46%

Wake me up before you go-go

Don't leave me hanging on like a yo-yo!

Which pretty well sums up yesterday's RBNZ MPR meeting. While they hiked the OCR 50bps to 2.50%, it was fully expected, and with no change in the Committee's outlook from the May MPC meeting, there was little for financial markets to get excited about.

After the announcement, the NZD/USD sold-off a mere 10-20 pips, although the local swap market particularly liked the

line, "The pace of global economic growth is slowing. The broad-based tightening in global monetary and financial conditions is acting to reduce spending growth" which saw swap pricing close the session a touch lower. And, New Zealand food price inflation remains rampant, rising 1.2% in June.

The RBNZ was a non-event, as was the Bank of Korea with their 50bps hike to 2.25%, but the Bank of Canada shocked everyone raising their overnight rate by 1.00% to 2.5% surprising analysts and traders who had expected a 75bps hike. The BoC also signalled that further rate hikes are in the pipeline.

Amazingly, that wasn't the biggest shock last night, with the award going to the US inflation print that reach 9.1% in June! That is not a typo! It was the highest annual inflation print in the US since Ronald Reagan was President, or November 1981 to be exact, and way above market expectations of 8.8%!

Unsurprisingly, the main contributors were energy costs, which have risen 41.6%, and food prices which jumped 10.4%. After this headline print, along with the University of Michigan 1-year inflation expectations reaching a record high, lock in 75bps hikes at the next couple of Fed meetings, but shouldn't they be following the BoC's lead?

In other news, the Beige Book showed US economic activity expanded at a modest

pace, however, several Districts reported growing signs of a slowdown in demand with increasing concerns over the risk of a recession. Most Districts also reported that consumer spending moderated as higher food and gas prices diminished households' discretionary income. In the Euro-zone industrial production increased 0.8% in May, German inflation increased 7.6%yoy in June, while in France it reached 5.8% on the year. In the UK, GDP surprisingly surged higher to 0.5% on the month and 0.4% on a 3-month rolling basis. Finally, China's lockdowns aren't impacting the country's ability to export after China's June trade surplus surged to a record high of USD97.94 billion in June, easily beating market forecasts of a surplus of USD75.7 billion, as exports grew 17.9% on the year.

The IMF has taken a knife to their US 2022 GDP outlook cutting their forecast to 2.3% from 2.9%, with the 2023 outlook cut to 1.0% from 1.7%. The IMF also expects US consumer spending to fall to zero by early 2023 and expects the jobless rate to rise to 5.0% by 2023 year end.

Given the interest rate hikes by the RBNZ, BoK, and BoC, and the US CPI print, markets were surprisingly quiet. Equity and commodity markets are a touch lower, as is the T-bond yield at 2.90%. The EUR reached at 0.9998 low against the USD, while the NZD and AUD are unchanged.



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Daily Rates

Thursday 14 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.7952	0.8770
NZD/USD	0.6130	-0.0002	-0.0006	-0.0004	-0.0024	CHF	0.6002	0.6620
NZD/AUD	0.9069	-0.0007	-0.0021	-0.0031	-0.0059	CNY	4.1329	4.5557
NZD/JPY	84.21	-0.20	-0.73	-1.65	-3.50	DKK	4.5363	5.0032
NZD/EUR	0.6097	-0.0015	-0.0050	-0.0100	-0.0190	FJD	1.3484	1.4872
NZD/GBP	0.5155	-0.0005	-0.0019	-0.0036	-0.0062	HKD	4.8120	5.3073
						KRW	799.14	881.40
AU TWI	61.40					MYR	2.7187	2.9985
AUD/USD	0.6813	0.0003	0.0009	0.0017	0.0005	NOK	6.2492	6.8925
AUD/NZD	0.6535	0.0008	0.0024	0.0034	0.0024	SEK	6.4661	7.1317
AUD/JPY	92.85	-0.16	-0.59	-1.51	-3.58	SGD	0.8614	0.9501
AUD/EUR	0.6723	-0.0012	-0.0040	-0.0088	-0.0196	TWD	18.27	20.15
AUD/GBP	0.5685	-0.0002	-0.0008	-0.0020	-0.0056	ZAR	10.38	11.44
USD Index	108.04					EQUITIES		
EUR/USD	1.0056	0.0022	0.0073	0.0158	0.0295		Index	
USD/JPY	137.33	-0.29	-1.08	-2.59	-5.41	NZX50	11,110	
GBP/USD	1.1890	0.0008	0.0026	0.0066	0.0113	ASX200	6,622	
EUR/GBP	0.8455	0.0012	0.0038	0.0081	0.0160	Dow Jones	30,800	
						S&P 500	3,811	
						FTSE100	7,156	
						DAX 30	12,756	
						Nikkei	26,479	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			2.61%		1.51%			
90 day bank bills			3.03%		2.03%			
1 year swap			3.82%		3.15%			
2 year swap			3.87%		3.35%			
3 year swap			3.81%		3.41%			
5 year swap			3.74%		3.47%			
10 year swap			3.78%		3.73%			
3 year Govt bond			3.45%		2.88%			
5 year Govt bond			3.50%		3.14%			
10 year Govt bond			3.70%		3.46%			
						COMMODITIES		
							USD	
						Brent Crude	99.27	
						Gold	1,733.22	
						Silver	19.17	
						Iron Ore	109.68	
						CRB Index	296.68	
							NZD	
						NZ Carbon	73.15	

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