

# Market Alert

Friday 15 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6118	-0.0010
NZD/AUD	0.9071	-0.0030
NZD/JPY	84.99	-1.74
NZD/EUR	0.6110	-0.0103
NZD/GBP	0.5175	-0.0035
NZD/CNH	4.1345	-0.0242
AUD/USD	0.6743	0.0011
AUD/EUR	0.6734	-0.0092
EUR/USD	1.0012	0.0150
USD/CNH	6.7569	-0.0288
GBP/USD	1.1817	0.0057
EUR/GBP	0.8471	0.0083

  

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.08%	2.09%
2 year swap	4.05%	3.43%
10 year Govt	3.74%	3.49%

## RBNZ changes its name

In a surprise move post-their rate hike, the RBNZ has officially changed their name to 'The People's Bank of New Zealand', with the acronym 'PBoNZ'. Unfortunately, as their website is convoluted, you won't be able to find the announcement. Heck, I'm still trying to find Wednesday's MPR statement!

Yesterday's BoC 1.00% hike certainly put the cat amongst the pigeons with the Monetary Authority of Singapore 're-centring' its SGD trading band, which is their equivalent of a rate hike. Meanwhile,

Nomura revised their July FOMC rate hike call to 100bp from 75bp, while Goldman Sachs upped their RBA August call to a 75bp hike from 50bp.

The rhetoric from Central bankers has also ramped up with San Fran Fed President, Mary Daly, stating "my most likely posture is 0.75% (at the next FOMC), (although) a 100-basis point hike is in the range of possibilities." Cleveland President, Loretta Mester, also acknowledged that "I am not seeing any convincing evidence that inflation has peaked. The Fed will need to extend rates well beyond the neutral rate as the risk of a recession has increased, but the Fed must stay the course to reduce inflation." Against this, Fed Governor, Christopher Waller, said he expects the Fed to raise the central bank's benchmark interest rate 75bp, while the market is "getting ahead of itself" pricing in 100bp.

There were a few data releases overnight, US producer prices reaching a 3-month high of 1.1% in June, or 11.3% on an annualised basis which was the second highest print following on from March's 11.6%. The EC also lowered its growth forecasts for the Euro Area to 2.6% in 2022 and 1.4% in 2023, down from 2.7% and 2.3% respectively. Inflation is expected to peak at 7.6% this year before easing to 4.0% in 2023.

The Australian June jobs report produced another stellar result with 88,400

returning to the workforce, which consisted of 52,900 full-time workers and 35,500 part-timers. This saw the unemployment rate drop to 3.5%, its lowest level since Gough Whitlam was Prime Minister, or, in other words, September 1974. Meanwhile the participation rate jumped a smidge to 66.8%. Elsewhere, the Melbourne Institute's consumer inflationary survey bucked the global trend as its July forecast fell to 6.3% from 6.7%.

Last night was all about the US-dollar index, which jumped more than 1.0% to top 109.00 – a fresh 20-year high – amid increasing bets the Fed will deliver a 100bps rate hike later this month. Should the Fed take such an aggressive stance, it would be the largest hike since the central bank started directly using overnight interest rates to conduct monetary policy.

The dollar index is up more than 13% this year, which has driven the EUR towards parity for the first time in 20 years while the JPY traded above the 139.00 level for the first time since 1998.

Interestingly, the NZD is flat. I assume the NZD is off most traders radars given the moves in the EUR and JPY, while the AUD weakened a touch. This saw the NZD/AUD firm towards the 0.9100 level. Equities and commodity markets closed slightly lower, while bond markets were quiet with the 10-year US treasury 3bp firmer at 2.97%.



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# Daily Rates

Friday 15 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.10					CAD	0.8020	0.8842
NZD/USD	0.6118	-0.0001	-0.0005	-0.0010	-0.0026	CHF	0.6018	0.6635
NZD/AUD	0.9071	-0.0007	-0.0018	-0.0030	-0.0042	CNY	4.1174	4.5351
NZD/JPY	84.99	-0.21	-0.72	-1.74	-3.71	DKK	4.5465	5.0114
NZD/EUR	0.6110	-0.0015	-0.0049	-0.0103	-0.0198	FJD	1.3479	1.4856
NZD/GBP	0.5175	-0.0005	-0.0016	-0.0035	-0.0067	HKD	4.8026	5.2948
						KRW	806.74	889.16
AU TWI	61.40					MYR	2.7176	2.9961
AUD/USD	0.6813	0.0002	0.0007	0.0011	0.0002	NOK	6.2644	6.9064
AUD/NZD	0.6535	0.0006	0.0019	0.0029	0.0040	SEK	6.4716	7.1327
AUD/JPY	93.66	-0.17	-0.62	-1.62	-3.64	SGD	0.8584	0.9463
AUD/EUR	0.6734	-0.0013	-0.0040	-0.0092	-0.0193	TWD	18.31	20.19
AUD/GBP	0.5707	-0.0002	-0.0007	-0.0020	-0.0045	ZAR	10.50	11.57
USD Index	108.58					<b>EQUITIES</b>		
EUR/USD	1.0012	0.0021	0.0068	0.0150	0.0277		<b>Index</b>	
USD/JPY	138.87	-0.31	-1.06	-2.59	-5.50	NZX50	11,188	
GBP/USD	1.1817	0.0007	0.0022	0.0057	0.0096	ASX200	6,651	
EUR/GBP	0.8471	0.0012	0.0038	0.0083	0.0146	Dow Jones	30,651	
						S&P 500	3,786	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		FTSE100	7,040	
		<b>Mid</b>		<b>Mid</b>		DAX 30	12,520	
30 day bank bills		2.61%		1.52%		Nikkei	26,643	
90 day bank bills		3.08%		2.09%		<b>COMMODITIES</b>		
1 year swap		3.97%		3.27%			<b>USD</b>	
2 year swap		4.05%		3.43%		Brent Crude	99.71	
3 year swap		3.96%		3.47%		Gold	1,708.99	
5 year swap		3.83%		3.49%		Silver	18.40	
10 year swap		3.82%		3.72%		Iron Ore	111.05	
3 year Govt bond		3.62%		2.99%		CRB Index	291.70	
5 year Govt bond		3.63%		3.22%			<b>NZD</b>	
10 year Govt bond		3.74%		3.49%		NZ Carbon	72.80	

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