

Market Alert

Monday 18 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6159	-0.0009
NZD/AUD	0.9067	-0.0028
NZD/JPY	85.29	-1.69
NZD/EUR	0.6104	-0.0101
NZD/GBP	0.5195	-0.0033
NZD/CNH	4.1538	0.0000
AUD/USD	0.6782	0.0010
AUD/EUR	0.6721	-0.0091
EUR/USD	1.0087	0.0149
USD/CNH	6.7542	0.0000
GBP/USD	1.1852	0.0056
EUR/GBP	0.8499	0.0083

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.13%	2.20%
2 year swap	4.04%	3.40%
10 year Govt	3.76%	3.49%

Congratulations

First up on this Monday morning is a huge congratulations to Cameron Smith for winning The Open, and where can I get one of those haircuts! I believe that was the only sport played in the weekend as we've never been rugby fans. We should also say 'well done' to the Irish and the English ... but typing those last words hurt a lot!

Friday saw some positivity return to financial markets, but only a little! US retail sales rose 1.0% in June, rebounding from May's 0.1% decline and above expectations at 0.8%.

The University of Michigan consumer sentiment index also increased reaching 51.1 in July, up from June's 50.0 record low and ahead of market forecasts of 49.9, with the all-important inflation expectations easing back to 5.2% from 5.3% for the 1-year, while the 5-year outlook eased to 2.8% from 3.1%. Unfortunately there were a couple of negatives after the Atlanta Fed downgraded its GDPNow June quarter forecast to -1.5% from -1.2% while June industrial production fell -0.2%.

We also had SF Fed President, Mary Daly, on the newswires, stating *"The US economy is strong, and consumers are continuing to spend. The labour market remains strong (although) inflation is too high. The Uni Michigan data on consumer inflation expectations was 'a good thing'. I don't have a recession in a high spot on the list of possible outcomes."* James Bullard then added *"It doesn't make too much difference to do 100bps or 75bps this month, we can adjust over the rest of the year accordingly. I take the yield curve inversion seriously, but I think this time is different!"*

NZ manufacturing PMIs fell further in June reaching into contractionary territory at 49.7 from 52.9.

In China, the statistics authority announced the economic contraction continues unabated following on from their larger than expected June quarter GDP contraction, which showed the economy had shrunk -2.6% against expectations of -1.5%. On an annualised basis, GDP

reached 0.4% which was lower than the 1.0% expected. Apart from that, most of the data was relatively steady after industrial output increased 3.9%, retail sales jumped 3.1%, and the unemployment rate eased to 5.5%, all on the year, while urban investment surged 6.1% year-to-date and new home prices fell -0.1% in June. Finally, with rumours circulating that China may reverse its ban on Australian coal, Chinese Foreign Minister Wang Yi announced, *"China is willing to recalibrate relations with Australia in a spirit of mutual respect."*

And celebrations

Friday's session saw a small rebound for equity market with European and US bourses 1.5%-2.0% higher, which supported commodity and oil prices. Bond and FX markets also firmed a touch with the US Treasury bond yielding 2.915% while the NZD, AUD and EUR made (very) modest gains.

This week the focus will be on the ECB's, BoJ's, and PBoC's central bank meetings while the UK, Canada, and Japan will release their inflation figures for June. The RBA is due to release the minutes from the last meeting, while in New Zealand we have CPI today and the trade balance later in the week. We also have the flash manufacturing and services PMI figures from the US, UK, Australia, and the Euro Area.



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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	70.40					CAD	0.8021	0.8847
NZD/USD	0.6159	-0.0001	-0.0004	-0.0009	-0.0033	CHF	0.6012	0.6617
NZD/AUD	0.9067	-0.0005	-0.0016	-0.0028	-0.0043	CNY	4.1618	4.5916
NZD/JPY	85.29	-0.21	-0.70	-1.69	-3.58	DKK	4.5444	5.0041
NZD/EUR	0.6104	-0.0015	-0.0047	-0.0101	-0.0193	FJD	1.3572	1.4945
NZD/GBP	0.5195	-0.0004	-0.0015	-0.0033	-0.0062	HKD	4.8344	5.3234
						KRW	811.60	893.69
AU TWI	61.30					MYR	2.7389	3.0160
AUD/USD	0.6813	0.0003	0.0007	0.0010	0.0000	NOK	6.2522	6.8846
AUD/NZD	0.6535	0.0003	0.0018	0.0031	0.0045	SEK	6.4469	7.0991
AUD/JPY	94.09	-0.18	-0.62	-1.58	-3.53	SGD	0.8627	0.9500
AUD/EUR	0.6721	-0.0013	-0.0040	-0.0091	-0.0183	TWD	18.43	20.29
AUD/GBP	0.5720	-0.0001	-0.0006	-0.0020	-0.0043	ZAR	10.51	11.57
USD Index	107.98					EQUITIES		
EUR/USD	1.0087	0.0022	0.0070	0.0149	0.0277		Index	
USD/JPY	138.53	-0.32	-1.04	-2.53	-5.28	NZX50	11,123	
GBP/USD	1.1852	0.0008	0.0024	0.0056	0.0091	ASX200	6,606	
EUR/GBP	0.8499	0.0013	0.0041	0.0083	0.0169	Dow Jones	31,288	
						S&P 500	3,863	
						FTSE100	7,159	
						DAX 30	12,865	
						Nikkei	26,788	
						COMMODITIES		
							USD	
						Brent Crude	101.16	
						Gold	1,706.78	
						Silver	18.69	
						Iron Ore	104.30	
						CRB Index	296.40	
							NZD	
						NZ Carbon	72.90	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	2.62%		1.57%
90 day bank bills	3.13%		2.20%
1 year swap	3.96%		3.24%
2 year swap	4.04%		3.40%
3 year swap	3.95%		3.49%
5 year swap	3.83%		3.59%
10 year swap	3.82%		3.83%
3 year Govt bond	3.60%		2.99%
5 year Govt bond	3.67%		3.21%
10 year Govt bond	3.76%		3.49%

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