

Market Alert

Tuesday 19 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6150	-0.0011
NZD/AUD	0.9033	-0.0029
NZD/JPY	84.91	-1.68
NZD/EUR	0.6063	-0.0101
NZD/GBP	0.5146	-0.0034
NZD/CNH	4.1589	-0.0235
AUD/USD	0.6808	0.0009
AUD/EUR	0.6710	-0.0091
EUR/USD	1.0142	0.0150
USD/CNH	6.7612	-0.0266
GBP/USD	1.1948	0.0056
EUR/GBP	0.8486	0.0085

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.16%	2.22%
2 year swap	4.10%	3.47%
10 year Govt	3.74%	3.51%

"Blame Game" by Kanye West

We could blame the Government, we could blame the Finance Minister, we could also blame the shipping companies and global supply chains, or even the conflict in Ukraine. Personally, I blame Kanye, but whichever way you slice and dice it, the cold hard facts are irrefutable; New Zealand's Q2 inflation print hit a 32-year high reaching 1.7% on the quarter and 7.3% on an annual basis. Even the RBNZ's sectoral factor model, or core inflation model, rose 4.8% in Q2, up from 4.6% in Q1, but while the headline prints were only a couple of points above the consensus

forecasts, a couple of the local banks hiked their OCR peaks by 25bps with the market now projecting a 60% chance the RBNZ will go 75bps at its August meeting. On a side note, services PMIs rose to 55.4 in June from 55.3.

There was also some interesting news out of Australia with ANZ flashing the cash announcing they plan to purchase the Suncorp Group banking business for AUD4.9 billion while they are also planning to purchase MYOB for AUD2.5 billion. Suncorp Group's shares jumped 6.1% on the news.

The US NAHB housing index declined for the 7th consecutive month hitting 55 in July, the index's lowest reading since May 2020. In a story that sounds familiar, production bottlenecks, rising home building costs and high inflation are causing many builders to halt construction while the cost of land, construction, and financing has also increased.

Ahead of Thursday night's ECB meeting, the yield on the German 10-year Bund bounced to a 6 week high reaching 1.22% with expectations growing that ECB President, Christine Lagarde, will raise rates 25bps. This higher yield does come with a risk, namely the details on the ECB's new bond instrument as the threat of a new sovereign debt crisis among the EU's indebted states continues to increase, while the Italian Prime Minister, and ex-ECB President, Mario Draghi, has threatened to resign.

Following on from reports that Chinese homebuyers have stopped making mortgage payments on unfinished projects, Chinese authorities have moved to underpin their troubled construction sector with sources suggesting, "The Ministry of Housing will partner with the PBoC to establish a fund (mostly likely from banks) to offer loans to construction projects for the resumption of construction so that mortgage payments will return to normal."

Calm before the storm

Overnight markets were relatively quiet, which is surprising given recent negative economic anecdotes and the resultant turbulence experienced globally. However, Monday was light on the data front leaving little for markets to respond to, although this may change as CPIs and policy decisions from major economies are expected later in the week.

US and European markets were relatively flat while Asian markets were up strongly between 1-3%. Commodities also performed strongly with oil, natural gas, and wheat all up between 4.0-6.0%, while bond markets made modest gains with the US 10 year T-bond 5pips higher at 2.97%.

In amongst this tranquillity, the US dollar index continued to ease back from its recent multi-decade high which saw the EUR/USD trade above the 1.0200 level before giving up its gains. The NZD and AUD were quiet.



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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	71.00					CAD	0.7983	0.8837
NZD/USD	0.6150	-0.0001	-0.0005	-0.0011	-0.0019	CHF	0.6009	0.6653
NZD/AUD	0.9033	-0.0006	-0.0017	-0.0029	-0.0043	CNY	4.1562	4.6042
NZD/JPY	84.91	-0.21	-0.71	-1.68	-3.59	DKK	4.5132	4.9961
NZD/EUR	0.6063	-0.0016	-0.0048	-0.0101	-0.0193	FJD	1.3484	1.4927
NZD/GBP	0.5146	-0.0005	-0.0016	-0.0034	-0.0063	HKD	4.8277	5.3442
						KRW	811.17	897.95
AU TWI	61.80					MYR	2.7374	3.0302
AUD/USD	0.6813	0.0003	0.0006	0.0009	-0.0005	NOK	6.2098	6.8742
AUD/NZD	0.6535	0.0007	0.0020	0.0031	0.0036	SEK	6.3960	7.0803
AUD/JPY	93.98	-0.17	-0.61	-1.57	-3.59	SGD	0.8593	0.9512
AUD/EUR	0.6710	-0.0013	-0.0041	-0.0091	-0.0186	TWD	18.40	20.36
AUD/GBP	0.5696	-0.0002	-0.0007	-0.0020	-0.0046	ZAR	10.55	11.68
USD Index	107.41					EQUITIES		
EUR/USD	1.0142	0.0024	0.0070	0.0150	0.0276		Index	
USD/JPY	138.04	-0.31	-1.03	-2.49	-5.29	NZX50	11,164	
GBP/USD	1.1948	0.0008	0.0024	0.0056	0.0088	ASX200	6,687	
EUR/GBP	0.8486	0.0014	0.0040	0.0085	0.0170	Dow Jones	30,989	
						S&P 500	3,833	
						FTSE100	7,223	
						DAX 30	12,960	
						Nikkei	26,788	
INTEREST RATES		New Zealand	Australia			COMMODITIES		
		Mid	Mid				USD	
30 day bank bills		2.68%	1.60%			Brent Crude	105.78	
90 day bank bills		3.16%	2.22%			Gold	1,706.58	
1 year swap		3.99%	3.30%			Silver	18.63	
2 year swap		4.10%	3.47%			Iron Ore	104.30	
3 year swap		4.00%	3.52%			CRB Index	305.96	
5 year swap		3.86%	3.56%				NZD	
10 year swap		3.83%	3.77%			NZ Carbon	72.90	
3 year Govt bond		3.69%	3.05%					
5 year Govt bond		3.67%	3.25%					
10 year Govt bond		3.74%	3.51%					

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