

Market Alert

Wednesday 20 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6226	-0.0012
NZD/AUD	0.9024	-0.0029
NZD/JPY	86.03	-1.75
NZD/EUR	0.6087	-0.0101
NZD/GBP	0.5187	-0.0036
NZD/CNH	4.2011	-0.0277
AUD/USD	0.6899	0.0008
AUD/EUR	0.6744	-0.0091
EUR/USD	1.0226	0.0149
USD/CNH	6.7474	-0.0310
GBP/USD	1.1998	0.0059
EUR/GBP	0.8522	0.0080

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.17%	2.24%
2 year swap	4.12%	3.60%
10 year Govt	3.78%	3.58%

Riddle me this ...

Last night's GDT auction saw the price of dairy fall another 5.0% in what was the index's 8th fall in the last 9 auctions. The SMP, WMP and butter fell 8.6%, 5.1% and 2.1% respectively. So, as New Zealand's biggest export earner continues its downward trend, the NZD weakened right? No! The NZD actually rallied as the correlation with equities strengthening and investors welcomed a slew of upbeat earnings reports. While it's still early in the Q2 reporting season, it was enough to lift US bourses 2.5%-3.5%, while the

European market made gains in the region of 2.0%-3.0%. Despite the fires and in spite of a US judge granting Twitter a fast-track trial in October to decide the fate of Musk's USD44 billion deal! This positivity in equity markets was enough to weaken the USD-index for its 3rd consecutive session, bringing the index down to 106.65 from its recent 109.29 high, although Morgan Stanley is still calling for it to rally to 112.00 in August! This USD weakness saw the NZD/USD pop up to the 0.6225 level and the AUD/USD bounce to 0.6900.

Speaking of the AUD, the minutes from the RBA's July 50bps hike highlighted, "The level of interest rates is still very low for an economy with a tight labour market and facing a period of higher inflation. Members discussed three points, first that current cash rate is well below the lower range of estimates for the nominal neutral rate. Members viewed it as important that inflation expectations remained well anchored and that the period of higher inflation be temporary. Members noted that gauging the level of the neutral rate is challenging in practice because it cannot be directly observed. Members considered the possibility of raising interest rates by 25bps or 50bps."

RBA Deputy Governor, Michele Bullock, announced, "Risks will be influenced by the future path of employment growth (but the) current strong growth in employment means people will have jobs to service their

mortgages" while, "wages are rising a little more quickly." On housing, she then added "House prices would have to fall a fair way for negative equity to become a systemic concern" while its lucky the rich have all of the debt as, "much of the debt is held by high-income households that have the ability to service their debt."

BoE Governor, Andrew Bailey, let slip, "50bps will be on the table at the next MPC" and that the central bank is looking to reduce all their bond holdings forecasting sales of GBP50-GBP100 billion in the first year!

Singapore's central bank, the Monetary Authority of Singapore, announced, "Global inflation seen easing in 2023 as major central banks withdraw policy accommodation and supply challenges addressed, however, global inflation outlook is subject to considerable uncertainty. Additional strains on supply chains could cause further price shocks."

Overnight data releases, US housing starts fell 2.0% on the month to an annualised rate of 1.559 million units in what was the lowest level since September 2021, much lower than forecasts of 1.58 million.

UK unemployment rate held steady at 3.8%. The EU is considering a 15.0% reduction in natural gas demand from August to March. Meanwhile, Chinese concerns continue to grow as new COVID-19 cases approach 700 per day.



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Daily Rates

Wednesday 20 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.40					CAD	0.8014	0.8882
NZD/USD	0.6226	-0.0001	-0.0006	-0.0012	-0.0022	CHF	0.6031	0.6685
NZD/AUD	0.9024	-0.0006	-0.0017	-0.0029	-0.0036	CNY	4.1993	4.6516
NZD/JPY	86.03	-0.20	-0.73	-1.75	-3.72	DKK	4.5314	5.0212
NZD/EUR	0.6087	-0.0015	-0.0047	-0.0101	-0.0191	FJD	1.3558	1.5024
NZD/GBP	0.5187	-0.0005	-0.0016	-0.0036	-0.0066	HKD	4.8873	5.4156
						KRW	813.07	900.95
AU TWI	62.20					MYR	2.7693	3.0687
AUD/USD	0.6813	0.0003	0.0006	0.0008	-0.0011	NOK	6.1719	6.8390
AUD/NZD	0.6535	0.0006	0.0019	0.0031	0.0037	SEK	6.3696	7.0582
AUD/JPY	95.33	-0.17	-0.63	-1.66	-3.74	SGD	0.8662	0.9599
AUD/EUR	0.6744	-0.0013	-0.0040	-0.0091	-0.0184	TWD	18.57	20.58
AUD/GBP	0.5748	-0.0002	-0.0007	-0.0023	-0.0050	ZAR	10.63	11.78
USD Index	106.69					EQUITIES		
EUR/USD	1.0226	0.0023	0.0069	0.0149	0.0275		Index	
USD/JPY	138.16	-0.31	-1.04	-2.56	-5.43	NZX50	11,163	
GBP/USD	1.1998	0.0008	0.0025	0.0059	0.0092	ASX200	6,650	
EUR/GBP	0.8522	0.0013	0.0039	0.0080	0.0158	Dow Jones	31,803	
						S&P 500	3,930	
INTEREST RATES		New Zealand		Australia		FTSE100	7,296	
		Mid		Mid		DAX 30	13,308	
30 day bank bills		2.71%		1.62%		Nikkei	26,962	
90 day bank bills		3.17%		2.24%		COMMODITIES		
1 year swap		4.06%		3.42%			USD	
2 year swap		4.12%		3.60%		Brent Crude	107.28	
3 year swap		4.03%		3.64%		Gold	1,711.00	
5 year swap		3.93%		3.64%		Silver	18.73	
10 year swap		3.92%		3.84%		Iron Ore	106.69	
3 year Govt bond		3.72%		3.15%		CRB Index	304.83	
5 year Govt bond		3.71%		3.35%			NZD	
10 year Govt bond		3.78%		3.58%		NZ Carbon	72.87	

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