

# Market Alert

Thursday 21 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6225	-0.0015
NZD/AUD	0.9042	-0.0032
NZD/JPY	86.07	-1.78
NZD/EUR	0.6117	-0.0105
NZD/GBP	0.5198	-0.0040
NZD/CNH	4.2173	-0.0307
AUD/USD	0.6883	0.0007
AUD/EUR	0.6762	-0.0093
EUR/USD	1.0175	0.0149
USD/CNH	6.7741	-0.0310
GBP/USD	1.1974	0.0060
EUR/GBP	0.8497	0.0079

  

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.15%	2.27%
2 year swap	4.15%	3.61%
10 year Govt	3.85%	3.62%

## Ahead of tonight's ECB meeting ...

... it was a pretty quiet session.

Positive earnings have continued to aid the rebound in equity markets, with the Dow Jones and S&P500 currently at levels not seen in more than a month. Asian markets performed strongly overnight up between 1-3% while European markets were down across the board. Commodities were mixed with oil continuing its trend downwards. The NZD and AUD were relatively flat overnight

while the EUR eased back as the markets focused on parity. The US 10-year yield firmed above the 3.00% level to 3.03%.

The data was second tier overnight, but let's get it out of the way! US existing home sales fell 5.4% to a seasonally adjusted annualised rate of 5.12 million in June, which was well below market forecasts of 5.38 million, with sales declining for a fifth consecutive month. Euro-zone consumer confidence fell 3.2 points to -27 in July, below market expectations at -24.9. Canadian inflation followed the global trend rising to 8.1% in June in what was the index's highest reading since January 1983.

Most of the excitement was in the UK, which appears to be going up in flames both figuratively and literally, as inflation hit a new 40-year high at 9.4%, which exceeded forecasts at 9.3%. The real flame is under the race to become the next UK Prime Minister, although I'm not sure which is the lesser evil given the final two are Liz Truss and Rishi Sunak.

Yesterday the RBA Governor, Philip Lowe, announced that Australia has caught up with the rest of the world and he expects inflation will head as high as 7%, which means he's going to have to increase rates further announcing, "CPI for the June quarter will show a further step-up in the inflation rate, and another step-up is expected later this year. Stronger productivity

growth is also likely to mean a higher neutral real interest rate. The neutral nominal rate is at least 2.5%, (although) it would be higher than this if medium-term inflation expectations were to shift higher. We don't need to return inflation to target immediately although we do need to chart a credible path back to 2.0%-3.0%." Simply put, "The Board expects that further increases will be required over the months ahead."

German June PPI increased 0.6% on the month, against expectations of a 1.3% increase, although the IMF has lowered their GDP forecasts and increased their inflation call.

In China, with COVID-19 cases surging past the 1,000 level per day, the PBoC left their 1 and 5-year loan prime rates (LPR) unchanged, but what is rapidly growing from a minor headline into a major headline, is the escalating boycotts on mortgage payments spread across at least 301 projects in about 91 cities with estimates suggesting up to USD297 billion of mortgages could be affected.

And with growth and confidence plummeting, Chinese Premier, Li Keqiang, has signalled that the Politburo is prepared to be flexible on growth as, "Slightly higher or lower growth rates are acceptable as long as employment is relatively sufficient, household income grows, and prices are stable."



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# Daily Rates

Thursday 21 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.10					CAD	0.8017	0.8867
NZD/USD	0.6225	-0.0001	-0.0007	-0.0015	-0.0028	CHF	0.6053	0.6695
NZD/AUD	0.9042	-0.0006	-0.0018	-0.0032	-0.0042	CNY	4.2117	4.6546
NZD/JPY	86.07	-0.20	-0.76	-1.78	-3.75	DKK	4.5536	5.0349
NZD/EUR	0.6117	-0.0015	-0.0050	-0.0105	-0.0201	FJD	1.3571	1.5005
NZD/GBP	0.5198	-0.0005	-0.0018	-0.0040	-0.0071	HKD	4.8866	5.4031
						KRW	816.96	903.31
AU TWI	62.60					MYR	2.7701	3.0629
AUD/USD	0.6813	0.0003	0.0006	0.0007	-0.0010	NOK	6.2091	6.8660
AUD/NZD	0.6535	0.0006	0.0019	0.0031	0.0041	SEK	6.3824	7.0574
AUD/JPY	95.18	-0.16	-0.65	-1.65	-3.73	SGD	0.8670	0.9586
AUD/EUR	0.6762	-0.0012	-0.0041	-0.0093	-0.0193	TWD	18.64	20.60
AUD/GBP	0.5748	-0.0002	-0.0008	-0.0024	-0.0053	ZAR	10.66	11.79
USD Index	107.05					<b>EQUITIES</b>		
EUR/USD	1.0175	0.0022	0.0071	0.0149	0.0276		<b>Index</b>	
USD/JPY	138.22	-0.29	-1.06	-2.54	-5.46	NZX50	11,199	
GBP/USD	1.1974	0.0009	0.0026	0.0060	0.0097	ASX200	6,759	
EUR/GBP	0.8497	0.0012	0.0040	0.0079	0.0162	Dow Jones	31,896	
						S&P 500	3,963	
						FTSE100	7,264	
						DAX 30	13,282	
						Nikkei	27,680	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>				
		<b>Mid</b>		<b>Mid</b>				
30 day bank bills		2.73%		1.65%				
90 day bank bills		3.15%		2.27%				
1 year swap		4.08%		3.44%				
2 year swap		4.15%		3.61%				
3 year swap		4.08%		3.66%				
5 year swap		3.99%		3.68%				
10 year swap		4.01%		3.88%				
3 year Govt bond		3.79%		3.20%				
5 year Govt bond		3.78%		3.39%				
10 year Govt bond		3.85%		3.62%				
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	106.90	
						Gold	1,696.54	
						Silver	18.65	
						Iron Ore	104.76	
						CRB Index	306.53	
							<b>NZD</b>	
						NZ Carbon	73.15	

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