

Market Alert

Friday 22 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6233	-0.0017
NZD/AUD	0.9014	-0.0034
NZD/JPY	85.78	-1.80
NZD/EUR	0.6107	-0.0102
NZD/GBP	0.5203	-0.0041
NZD/CNH	4.2255	-0.0286
AUD/USD	0.6915	0.0006
AUD/EUR	0.6773	-0.0090
EUR/USD	1.0209	0.0144
USD/CNH	6.7772	-0.0280
GBP/USD	1.1979	0.0059
EUR/GBP	0.8523	0.0075

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.19%	2.27%
2 year swap	4.13%	3.51%
10 year Govt	3.84%	3.65%

Springing into action

Christine 'action Jackson' Lagarde sprang into action last night, catching everyone out, hiking the Euro-zone's 3 key interest rates by 50bps. In making the announcement, the ECB stated, "The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will be increased to 0.50%, 0.75% and 0.00% respectively, with effect from 27 July 2022." This was the first hike since 2011 ending eight years of negative interest rates. The bank acknowledged that the

larger-than-expected hike was justified given the "updated assessment of inflation risks" and, according to people 'familiar' with the matter.

While some officials preferred a 25bps hike, Chief Economist, Philip Lane, was the key driver in getting the 50bps executed. The central bank also said that further normalisation of interest rates will be appropriate in the upcoming meetings, and they also approved the Transmission Protection Instrument (TPI) which has been established to stabilise the bond market as they enter into this new rate-hiking cycle.

The new scheme will purchase bonds of the more indebted EU member states to cap the rise in their borrowing costs and limit financial fragmentation in an attempt to avert a new bond-crisis. This seems appropriate given that Italian Prime Minister, Mario Draghi, resigned last night as his coalition government collapsed. His resignation brought back bad memories of Europe's debt crisis a decade ago as Mr Draghi had been implementing policies meant to keep debt at manageable levels and boost growth in Europe's third-largest economy!

Overnight the S&P was up slightly, continuing momentum from a positive week of earnings releases, which has seen markets increase 3.0% for the week as of yesterday. European markets were mixed while Asian markets were down.

Oil is down further as it continues its trend downwards with commodities in general coming off. Ahead of the meeting, the EUR had caught a light bounce at the end of the Australasian time zone after reports emerged the gas flows had started to flow through the Nord Stream 1 pipeline with capacity around 40%. Similar levels before it was shut down for maintenance, while the NZD has weakened slightly across the board, marginally against the USD, losing about half a cent against the AUD.

In other news, US jobless claims increased by 9,000 to 251,000 the week that ended July 16th. This is the highest since November 2021, well above market expectations of 240,000, suggesting the labour market may be cooling down. This may be something we see in labour markets globally as the BoC Governor, Tiff Macklem, says inflation is going to stay painfully high

As expected, the BoJ left its monetary policy settings unchanged emphasising, "April guidance offer to buy 10-year JGBs at 0.25% every business day unless it is highly likely no bids will be submitted. Maintaining guidance on policy bias, taking more easing steps without hesitation as needed with eye on pandemic's impact on economy. Maintain forward guidance on interest rates, expects short- and long-term policy rates to remain at 'present or lower' level."

Bitcoin fell yesterday after Tesla revealed that it has sold approximately 75% of its bitcoin purchases and took an impairment.



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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	71.10					CAD	0.8024	0.8903
NZD/USD	0.6233	-0.0002	-0.0007	-0.0017	-0.0033	CHF	0.6030	0.6691
NZD/AUD	0.9014	-0.0006	-0.0018	-0.0034	-0.0044	CNY	4.2030	4.6617
NZD/JPY	85.78	-0.21	-0.74	-1.80	-3.76	DKK	4.5452	5.0426
NZD/EUR	0.6107	-0.0015	-0.0047	-0.0102	-0.0196	FJD	1.3562	1.5046
NZD/GBP	0.5203	-0.0006	-0.0017	-0.0041	-0.0073	HKD	4.8922	5.4275
						KRW	815.94	905.21
AU TWI	62.70					MYR	2.7768	3.0806
AUD/USD	0.6813	0.0003	0.0006	0.0006	-0.0012	NOK	6.2028	6.8815
AUD/NZD	0.6535	0.0007	0.0020	0.0033	0.0047	SEK	6.3642	7.0606
AUD/JPY	95.14	-0.17	-0.64	-1.66	-3.75	SGD	0.8666	0.9614
AUD/EUR	0.6773	-0.0012	-0.0039	-0.0090	-0.0184	TWD	18.64	20.68
AUD/GBP	0.5772	-0.0002	-0.0008	-0.0024	-0.0054	ZAR	10.61	11.77
USD Index	106.81					EQUITIES		
EUR/USD	1.0209	0.0022	0.0068	0.0144	0.0255		Index	
USD/JPY	137.58	-0.31	-1.04	-2.52	-5.21	NZX50	11,270	
GBP/USD	1.1979	0.0008	0.0026	0.0059	0.0090	ASX200	6,794	
EUR/GBP	0.8523	0.0011	0.0038	0.0075	0.0145	Dow Jones	32,017	
						S&P 500	3,989	
INTEREST RATES		New Zealand		Australia		FTSE100	7,271	
		Mid		Mid		DAX 30	13,247	
30 day bank bills		2.74%		1.66%		Nikkei	27,803	
90 day bank bills		3.19%		2.27%		COMMODITIES		
1 year swap		4.07%		3.39%			USD	
2 year swap		4.13%		3.51%		Brent Crude	104.01	
3 year swap		4.06%		3.54%		Gold	1,718.11	
5 year swap		3.98%		3.66%		Silver	18.82	
10 year swap		3.98%		3.86%		Iron Ore	104.51	
3 year Govt bond		3.76%		3.21%		CRB Index	300.99	
5 year Govt bond		3.77%		3.41%			NZD	
10 year Govt bond		3.84%		3.65%		NZ Carbon	73.00	

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