

Market Alert

Tuesday 26 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6266	-0.0013
NZD/AUD	0.9002	-0.0030
NZD/JPY	85.63	-1.77
NZD/EUR	0.6128	-0.0103
NZD/GBP	0.5197	-0.0039
NZD/CNH	4.2299	-0.0275
AUD/USD	0.6959	0.0007
AUD/EUR	0.6805	-0.0092
EUR/USD	1.0223	0.0149
USD/CNH	6.7509	-0.0280
GBP/USD	1.2050	0.0061
EUR/GBP	0.8481	0.0077

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.35%
90 day bills	3.16%	2.26%
2 year swap	3.99%	3.44%
10 year Govt	3.66%	3.42%

It isn't pretty out there!

Perhaps we shouldn't be surprised given last week's PMI print, but the business outlook has deteriorated!

In the US, a couple of Fed business indicators highlighted the contracting operating environment after the Dallas Fed's July business activity index decreased to -22.6 from June's -17.7, hitting its lowest level since May 2020, while the Chicago Fed's national activity index reached its lowest level since February 2021 at -0.19!

In Germany, the Ifo business climate indicator fell to 88.6, which was below

market expectations of 90.2 and the index's lowest headline number in over 2 years. One of the biggest contributors to the pessimistic outlook has been the threat of a gas shortage, and last night's warning from the German gas network regulator that if the Nord Stream 1 gas pipeline continued to pump at 40% capacity, Germany would need to take additional measures to reach 90% of storage capacity to avert winter rationing. But with a further twist of the knife, Gazprom said it would reduce pipeline flows to 20% of capacity as another turbine would be 'halted for maintenance'. This saw EU gas futures jump 10% while US prices surged 6.4%.

The UK business outlook produced a slight positive as the CBI's quarterly manufacturing sentiment index increased to -21, which was an improvement on the prior -34, although it remained in negative territory for the third consecutive quarter. Manufacturing output and orders eased while costs and prices continued to rise sharply, but on a positive note, investment intentions generally improved and employment continued to grow at a robust pace,

ECB board member, Robert Holzmann, announced, *"The economy will grow less strongly. We will see in the autumn what the economic situation is, then we can probably decide if we do another 0.5% or less. The ECB is keen to prevent higher inflation expectations becoming entrenched amongst the public (although) we may have to accept a moderate*

recession to fight inflation." ECB policymaker, Martins Kazaks, then added, *"I would not say that this was the only front-loading. I would say that the rate increase in September also needs to be quite significant."*

In a cutting article, former RBNZ Governor, Graeme Wheeler, stated the central bank made serious errors in the wake of the COVID-19 pandemic stating *"(while) confident in their ability to maintain low inflation, central banks in recent years began diverting resources to other topics. Such issues bear little if any relationship to the reasons why central banks exist- ensuring price stability and financial stability."* In other words, stick to your knitting, Mr Orr!

International equity bourses were broadly flat as investors awaited a slew of corporate earnings reports, although the spike in gas prices supported the broader commodity sector. Bond yields also recovered, with the T-bond up 5pips to 2.801%, while the NZD, AUD and EUR all made modest gains against a weaker USD.

Please note, this is not a joke

A UK newspaper article has reported Boris Johnson is preparing to fight his way back to the Conservative leadership and remain as PM as he *"does not want to resign"* and wishes he could *"wipe away"* his departure!



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Daily Rates

Tuesday 26 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8043	0.8933
NZD/USD	0.6266	-0.0001	-0.0006	-0.0013	-0.0030	CHF	0.6042	0.6712
NZD/AUD	0.9002	-0.0006	-0.0018	-0.0030	-0.0042	CNY	4.2233	4.6920
NZD/JPY	85.63	-0.23	-0.75	-1.77	-3.70	DKK	4.5618	5.0663
NZD/EUR	0.6128	-0.0016	-0.0048	-0.0103	-0.0197	FJD	1.3592	1.5095
NZD/GBP	0.5197	-0.0006	-0.0018	-0.0039	-0.0074	HKD	4.9184	5.4623
						KRW	821.72	912.60
AU TWI	62.60					MYR	2.7890	3.0975
AUD/USD	0.6813	0.0003	0.0006	0.0007	-0.0014	NOK	6.1577	6.8387
AUD/NZD	0.6535	0.0007	0.0019	0.0032	0.0041	SEK	6.3827	7.0886
AUD/JPY	95.11	-0.19	-0.65	-1.67	-3.68	SGD	0.8685	0.9646
AUD/EUR	0.6805	-0.0013	-0.0040	-0.0092	-0.0189	TWD	18.73	20.80
AUD/GBP	0.5772	-0.0002	-0.0008	-0.0025	-0.0056	ZAR	10.51	11.67
USD Index	106.43					EQUITIES		
EUR/USD	1.0223	0.0024	0.0068	0.0149	0.0272		Index	
USD/JPY	136.66	-0.34	-1.06	-2.54	-5.20	NZX50	11,199	
GBP/USD	1.2050	0.0010	0.0027	0.0061	0.0100	ASX200	6,790	
EUR/GBP	0.8481	0.0013	0.0037	0.0077	0.0155	Dow Jones	31,990	
						S&P 500	3,965	
						FTSE100	7,306	
						DAX 30	13,210	
						Nikkei	27,699	
INTEREST RATES		New Zealand		Australia				
		Mid		Mid				
30 day bank bills		2.77%		1.70%				
90 day bank bills		3.16%		2.26%				
1 year swap		3.91%		3.30%				
2 year swap		3.99%		3.44%				
3 year swap		3.91%		3.44%				
5 year swap		3.81%		3.47%				
10 year swap		3.78%		3.67%				
3 year Govt bond		3.57%		3.04%				
5 year Govt bond		3.58%		3.21%				
10 year Govt bond		3.66%		3.42%				
						COMMODITIES		
							USD	
						Brent Crude	105.09	
						Gold	1,718.29	
						Silver	18.41	
						Iron Ore	105.39	
						CRB Index	304.19	
							NZD	
						NZ Carbon	72.55	

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