

# Market Alert

Wednesday 6 July 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6166	-0.0015
NZD/AUD	0.9065	-0.0035
NZD/JPY	83.67	-1.60
NZD/EUR	0.5976	-0.0104
NZD/GBP	0.5157	-0.0037
NZD/CNH	4.1287	-0.0110
AUD/USD	0.6798	0.0010
AUD/EUR	0.6621	-0.0090
EUR/USD	1.0265	0.0151
USD/CNH	6.7104	-0.0064
GBP/USD	1.1948	0.0054
EUR/GBP	0.8588	0.0087

  

INT RATES	NZ	Australia
OCR/Cash	2.00%	1.35%
90 day bills	2.86%	1.91%
2 year swap	3.81%	3.29%
10 year Govt	3.78%	3.63%

## If you thought 1H 2022 was volatile ...

...hold on to your hats for 2H 2022!

Last night it was the turn of commodity markets to realise that a recession ultimately leads to a drop in demand, which saw crude drop 8.0% to USD99.72 while Brent plummeted 9.25% to USD102.99. However, it wasn't just the oil markets that were in free-fall, most energy stocks were off in the region of 8.0%, while most commodity products were 2.0% to 3.0% lower. Even wheat, with all of the problems in Ukraine, was 4.3% lower while corn and

soyabeans gave up all of their 2022 gains. This weakness also flowed through to the bond markets, with the US 10-year T-bond 6bp lower at 2.82%, but the real 'action' was in the European markets with the German 10-year bund falling 15bp to 1.18%.

Even the Australian bond yields collapsed, in spite of the RBA's 50bp hike, with the 10-year yield 13 points lower at 3.55%. The outperformance of US yields, compared to those of their European and Antipodean counterparts, saw the USD outperform as the EUR/USD collapsed below 1.0300 to reach a 20-year low as weaker European data and rising energy prices increased the prospect of a widening monetary gap between the ECB and the Federal Reserve. This also filtered through to the GBP/USD, which fell 1.25% after the UK Chancellor, Rishi Sunak, resigned following the resignations of the Health Secretary and Parliamentary Private Secretary, while the AUD/USD, fell -1.0% to reach a 24-month low of 0.6802 and the NZD/USD sold off -0.7% to 0.6173.

In terms of the actual data, new orders for US manufactured goods jumped 1.6% in May 2022, following an upwardly revised 0.7% rise in April, while the GDT auction mirrored the commodity slump with the price index falling 4.1% as WMP eased 3.3%, while skim milk and butter fell 5.2% and 9.1% respectively.

Perhaps the most interesting price action last night was that of the Australian market

following on from yesterday's 50bp RBA hike, which saw the cash rate increase to 1.35%.

Insightfully, the statement did provide a few warnings with, "One source of ongoing uncertainty about the economic outlook is the behaviour of household spending. The recent spending data have been positive, although household budgets are under pressure from higher prices and higher interest rates" although the RBA reckons households have plenty of gas in the tank given, "The household saving rate remains higher than it was before the pandemic and many households have built up large financial buffers and are benefiting from stronger income growth." There was also the usual inflation warning with, "Global factors account for much of the increase in inflation in Australia, but domestic factors are also playing a role. Strong demand, a tight labour market and capacity constraints in some sectors are contributing to the upward pressure on prices. The floods are also affecting some prices." Finally, just to emphasise the point, "Medium-term inflation expectations remain well anchored, and it is important that this remains the case."

In New Zealand, the commodity price index fell 0.4% in June, although in NZD terms the index gained 0.7% in NZD terms, while the NZIER Q2 business update highlighted the pessimistic outlook with a net 65% of businesses expecting the economy to deteriorate further.



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# Daily Rates

Wednesday 6 July 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.50					CAD	0.8039	0.8786
NZD/USD	0.6192	-0.0002	-0.0006	-0.0015	-0.0030	CHF	0.5972	0.6579
NZD/AUD	0.9090	-0.0005	-0.0017	-0.0035	-0.0044	CNY	4.1217	4.5486
NZD/JPY	83.79	-0.18	-0.63	-1.60	-3.35	DKK	4.4687	4.9267
NZD/EUR	0.5935	-0.0014	-0.0046	-0.0104	-0.0193	FJD	1.3501	1.4885
NZD/GBP	0.5115	-0.0004	-0.0015	-0.0037	-0.0066	HKD	4.8383	5.3343
						KRW	806.51	889.17
AU TWI	61.70					MYR	2.7241	3.0034
AUD/USD	0.6813	0.0002	0.0006	0.0010	-0.0005	NOK	6.2036	6.8394
AUD/NZD	0.6535	0.0005	0.0019	0.0036	0.0042	SEK	6.4741	7.1377
AUD/JPY	92.33	-0.14	-0.53	-1.43	-3.29	SGD	0.8666	0.9554
AUD/EUR	0.6621	-0.0012	-0.0039	-0.0090	-0.0183	TWD	18.37	20.25
AUD/GBP	0.5686	-0.0002	-0.0005	-0.0019	-0.0047	ZAR	10.19	11.24
USD Index	106.50					<b>EQUITIES</b>		
EUR/USD	1.0265	0.0022	0.0068	0.0151	0.0281		<b>Index</b>	
USD/JPY	135.83	-0.25	-0.90	-2.30	-4.93	NZX50	10,965	
GBP/USD	1.1948	0.0006	0.0021	0.0054	0.0093	ASX200	6,629	
EUR/GBP	0.8588	0.0013	0.0040	0.0087	0.0163	Dow Jones	30,968	
						S&P 500	3,831	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		FTSE100	7,025	
		<b>Mid</b>		<b>Mid</b>		DAX 30	12,401	
30 day bank bills		2.44%		1.30%		Nikkei	26,423	
90 day bank bills		2.86%		1.91%		<b>COMMODITIES</b>		
1 year swap		3.72%		3.03%			<b>USD</b>	
2 year swap		3.81%		3.29%		Brent Crude	102.73	
3 year swap		3.79%		3.38%		Gold	1,764.35	
5 year swap		3.75%		3.54%		Silver	19.20	
10 year swap		3.85%		3.83%		Iron Ore	114.45	
3 year Govt bond		3.45%		2.95%		CRB Index	296.79	
5 year Govt bond		3.54%		3.25%			<b>NZD</b>	
10 year Govt bond		3.78%		3.63%		NZ Carbon	75.00	

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