

# Market Alert

Wednesday 3 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6256	-0.0008
NZD/AUD	0.9037	-0.0037
NZD/JPY	83.23	-1.67
NZD/EUR	0.6153	-0.0098
NZD/GBP	0.5138	-0.0034
NZD/CNH	4.2318	-0.0279
AUD/USD	0.6921	0.0018
AUD/EUR	0.6805	-0.0082
EUR/USD	1.0172	0.0148
USD/CNH	6.7636	-0.0280
GBP/USD	1.2168	0.0060
EUR/GBP	0.8356	0.0077

  

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.85%
90 day bills	3.22%	2.23%
2 year swap	3.70%	3.17%
10 year Govt	3.38%	3.04%

## You know you have problems when ...

... you get home, and your daughters make you watch "Love Island!" I could feel my brain cells dying as I watched it!

At least it was better than watching last night's GDT auction, which fell a further 5.0% with WMP and butter both off 6.1%. The index is now 27.0% below its March peak, with the last 9 out of 10 auctions ending in negative territory. While it's still early in the season, it would imply

the projected NZD9.50 Farmgate payout price is under pressure.

The RBA played to the markets' tune yesterday after raising the cash rate target by 50 basis points to 1.85%. However, there was a 'dovish' feel to the hike after the central bank warned the balance between growth and inflation is narrow as, *"the Board expects to take further steps in the process of normalising monetary conditions over the months ahead, but it is not on a pre-set path. The size and timing of future interest rate increases will be guided by the incoming data and the Board's assessment of the outlook for inflation and the labour market."*

The statement also referenced their greatest challenge, *"the unemployment rate declined further in June to 3.5%, its lowest rate in almost 50 years,"* while they conceded that *"a key source of uncertainty continues to be the behaviour of household spending."* This mixed outlook saw the AUD come under selling pressure while swaps rates fell further. June building permits fell 0.7% on the month in Australia.

Meanwhile RBNZ Governor, Adrian Orr, continues to come under pressure from past Governors and Senior Members. Former RBNZ senior staffer, Geoff Mortlock, wrote an 'open email' to the New Zealand Finance Minister attacking the bank's previous policy of quantitative easing, questioning the skills of its board and its high turnover of staff, and accusing

Mr Orr of being preoccupied with matters beyond its core remit. New Zealand house prices are falling at the fastest rate in more than a decade, and at the fastest pace since the GFC, won't help after the CoreLogic house price index fell 0.9% on the month to reach 2.5% for the past 3 months.

US job openings fell by 605,000 from a month earlier to 10.7 million in June, the index's lowest level in nine months, and we also had a couple of Fed speakers with Mary Daly pouring cold water on the idea that inflation is falling stating, *"our work is far from done,"* with Charles Evans seeing a *"reasonable"* chance of smaller hikes, while Loretta Mester added, *"inflation is not going to come down quickly."*

It's a little different this year after the Chinese Communist Party announced that their 5.5% GDP goal for 2022 is *"guidance, not a target,"* which is appropriate given that July's China Beige Book highlighted that firms are reluctant to invest, borrow or hire.

US-Chinese tensions ahead of the visit to Taiwan of House Speaker, Nancy Pelosi, weighed on equity markets. The comments from the Fed board members saw the T-bond yield jump 19bps to 2.76%, so expect swap pricing to open higher this morning. Tracking the move in yields, the USD-index also recovered, which saw the NZD and AUD fall 1.0%.



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Wednesday 3 August 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.60					CAD	0.8051	0.8910
NZD/USD	0.6256	-0.0001	-0.0003	-0.0008	-0.0018	CHF	0.5987	0.6625
NZD/AUD	0.9037	-0.0006	-0.0018	-0.0037	-0.0054	CNY	4.2424	4.6938
NZD/JPY	83.23	-0.21	-0.68	-1.67	-3.35	DKK	4.5782	5.0656
NZD/EUR	0.6153	-0.0015	-0.0044	-0.0098	-0.0183	FJD	1.3588	1.5037
NZD/GBP	0.5138	-0.0005	-0.0014	-0.0034	-0.0061	HKD	4.9109	5.4345
						KRW	820.67	907.91
AU TWI	62.60					MYR	2.7858	3.0819
AUD/USD	0.6813	0.0004	0.0010	0.0018	0.0010	NOK	6.1118	6.7624
AUD/NZD	0.6535	0.0007	0.0021	0.0040	0.0053	SEK	6.4034	7.0850
AUD/JPY	92.06	-0.17	-0.57	-1.49	-3.24	SGD	0.8648	0.9568
AUD/EUR	0.6805	-0.0012	-0.0035	-0.0082	-0.0166	TWD	18.73	20.73
AUD/GBP	0.5686	-0.0001	-0.0005	-0.0016	-0.0036	ZAR	10.49	11.60
USD Index	106.20					<b>EQUITIES</b>		
EUR/USD	1.0172	0.0023	0.0067	0.0148	0.0277		<b>Index</b>	
USD/JPY	132.97	-0.32	-1.02	-2.49	-5.06	NZX50	11,532	
GBP/USD	1.2168	0.0008	0.0026	0.0060	0.0096	ASX200	6,998	
EUR/GBP	0.8356	0.0012	0.0036	0.0077	0.0152	Dow Jones	32,441	
						S&P 500	4,108	
						FTSE100	7,409	
						DAX 30	13,449	
						Nikkei	27,595	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>			
			<b>Mid</b>		<b>Mid</b>			
30 day bank bills			2.88%		1.77%			
90 day bank bills			3.22%		2.23%			
1 year swap			3.71%		2.99%			
2 year swap			3.70%		3.17%			
3 year swap			3.60%		3.14%			
5 year swap			3.47%		3.10%			
10 year swap			3.46%		3.34%			
3 year Govt bond			3.25%		2.66%			
5 year Govt bond			3.24%		2.79%			
10 year Govt bond			3.38%		3.04%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	100.20	
						Gold	1,762.38	
						Silver	19.95	
						Iron Ore	114.35	
						CRB Index	303.24	
							<b>NZD</b>	
						NZ Carbon	80.25	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



**BANCORP**  
BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**  
BANCORP CORPORATE FINANCE LIMITED