

Market Alert

Thursday 4 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6276	-0.0007
NZD/AUD	0.9029	-0.0034
NZD/JPY	84.10	-1.68
NZD/EUR	0.6173	-0.0096
NZD/GBP	0.5163	-0.0032
NZD/CNH	4.2425	-0.0273
AUD/USD	0.6951	0.0018
AUD/EUR	0.6833	-0.0082
EUR/USD	1.0169	0.0146
USD/CNH	6.7582	-0.0389
GBP/USD	1.2151	0.0060
EUR/GBP	0.8367	0.0078

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.85%
90 day bills	3.22%	2.23%
2 year swap	3.67%	3.13%
10 year Govt	3.40%	3.14%

It was a misty day in the City of Sails

And walking through the train station, I wasn't sure whether Jack the Ripper or An American Werewolf in Auckland would jump me!

While the RBNZ's mandate requires monetary policy to support employment, there is no doubt the central bank will be pleased with yesterday's spike in the unemployment rate to 3.3%, against the expected 3.1%, to ease some of those inflationary pressures. With no workers added to the workforce in Q2, and just

1.6% added in the last 12 months, the only hiccup was the 2.3% spike in average hourly earnings. Furthermore, the NZ commodity price index fell -2.2% in July, following on from June's -0.4% decline

No doubt this contributed to Morgan Stanley's bearish call on the NZD as "house price appreciation continues to slow as macroprudential policy and RBNZ tightening restrict demand. Risks appear to be rising that the RBNZ may be 'overtightening', and its penchant to change course quickly suggests that rate cuts in 2023 may be rising even despite firming inflation." We also had one of the local banks forecast the NZD/USD at 0.63 and NZD/AUD at 0.8850 by Q3-end as, "the NZD's rate advantage is diminishing. With strong non-tradeable inflation, cost-of-living pressures are becoming a major issue for consumers. Housing price declines are also outstripping G10 peers. We believe this will prompt the market to start pricing downside risks for the economy and possible rate cuts."

Fed member, James Bullard, believes both the Fed and the ECB will achieve a "relatively soft landing" and "there is not going to be a recession in the US." Tom Barkin added, "Recession fears are 'a little inconsistent' with monthly jobs growth near 400,000. Inflation is coming down due to flattening demand," while Mary Daly stated, "Markets are getting ahead of themselves in pricing in rate cuts for 2023. 3.4% is a reasonable place for us to get to on rates by year-end. If we see inflation

roaring ahead then perhaps 75 bps more appropriate."

US ISM services PMIs reached their highest level in 3 months hitting 56.7 in July, up from 55.3 in June, as production and new orders grew faster while price pressures eased. This helped support factory orders, which increased 2.0% on the month, with durable goods orders revised to 2.0% from 1.9%. European retail sales fell -1.2% in June and -3.7% on the year with declines seen across most categories, while PPIs were slightly ahead of expectations at 1.1% on the month and an incredible 35.8% on the year! Service and composite PMIs across the zone were mixed with Germany in contraction although the France surprised to the upside.

Final Australian PMIs for July confirmed a further contraction as services eased to 50.9 from 52.6 while the composite slipped to 51.1 from 52.6. The construction performance index contracted further to 45.3 in July from 46.2.

The positive US data supported international equity prices, with the NADAQ benefiting, while the modest increase in OPEC+ output of 100,000 barrels per day saw oil retreat -3.5%. US bond markets were relatively quiet although we saw further curve inversion with the 2 years up 4bps while the 10-years eased 2bps to 2.73%. FX market were quiet with the AUD the main beneficiary.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Thursday 4 August 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.8058	0.8927
NZD/USD	0.6276	-0.0001	-0.0004	-0.0007	-0.0014	CHF	0.6030	0.6679
NZD/AUD	0.9029	-0.0006	-0.0019	-0.0034	-0.0050	CNY	4.2151	4.6752
NZD/JPY	84.10	-0.20	-0.71	-1.68	-3.45	DKK	4.5927	5.0866
NZD/EUR	0.6173	-0.0014	-0.0045	-0.0096	-0.0185	FJD	1.3608	1.5072
NZD/GBP	0.5163	-0.0004	-0.0015	-0.0032	-0.0059	HKD	4.9266	5.4565
						KRW	820.63	908.89
AU TWI	62.50					MYR	2.7960	3.0967
AUD/USD	0.6813	0.0004	0.0010	0.0018	0.0013	NOK	6.0926	6.7479
AUD/NZD	0.6535	0.0006	0.0021	0.0039	0.0050	SEK	6.4033	7.0920
AUD/JPY	93.12	-0.16	-0.60	-1.51	-3.34	SGD	0.8662	0.9594
AUD/EUR	0.6833	-0.0011	-0.0036	-0.0082	-0.0169	TWD	18.80	20.82
AUD/GBP	0.5719	-0.0001	-0.0004	-0.0015	-0.0035	ZAR	10.51	11.64
USD Index	106.39					EQUITIES		
EUR/USD	1.0169	0.0022	0.0067	0.0146	0.0276		Index	
USD/JPY	133.95	-0.30	-1.05	-2.50	-5.25	NZX50	11,705	
GBP/USD	1.2151	0.0008	0.0025	0.0060	0.0093	ASX200	6,976	
EUR/GBP	0.8367	0.0012	0.0038	0.0078	0.0154	Dow Jones	32,898	
						S&P 500	4,161	
INTEREST RATES		New Zealand		Australia		FTSE100	7,446	
		Mid		Mid		DAX 30	13,588	
30 day bank bills		2.89%		1.81%		Nikkei	27,742	
90 day bank bills		3.22%		2.23%		COMMODITIES		
1 year swap		3.75%		3.05%			USD	
2 year swap		3.67%		3.13%		Brent Crude	96.96	
3 year swap		3.57%		3.11%		Gold	1,765.28	
5 year swap		3.44%		3.16%		Silver	20.07	
10 year swap		3.43%		3.40%		Iron Ore	113.36	
3 year Govt bond		3.24%		2.78%		CRB Index	301.14	
5 year Govt bond		3.24%		2.90%			NZD	
10 year Govt bond		3.40%		3.14%		NZ Carbon	80.00	

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