

# Market Alert

Monday 19 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5982	0.0007
NZD/AUD	0.8909	-0.0025
NZD/JPY	85.59	-1.83
NZD/EUR	0.5977	-0.0071
NZD/GBP	0.5241	-0.0016
NZD/CNH	4.1904	0.0000
AUD/USD	0.6710	0.0027
AUD/EUR	0.6697	-0.0062
EUR/USD	1.0015	0.0130
USD/CNH	6.9989	0.0000
GBP/USD	1.1409	0.0045
EUR/GBP	0.8768	0.0077

  

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.67%	2.85%
2 year swap	4.48%	3.82%
10 year Govt	4.14%	3.80%

## Monday morning blues

Friday saw the release of the University of Michigan's consumer sentiment survey, which increased to a 5-month high of 59.5 in September, which was up on August's 58.2 but lower than forecasts at 60.0. And if you thought that at least things can only get better, I'd hold that thought after shipping giant FedEx announced that it was pulling its earnings guidance due to "expectations for a continued volatile operating environment."

In other releases, Eurozone core inflation rose 0.7% in August, and 5.5% on the

year, which was bang inline with forecasts, UK retail sales sank -1.6% in August, which was the biggest decline so far this year, while Chinese retail sales jumped 5.4% as industrial production increased 4.2%, with both releases out-performing expectations!

Friday also saw RBA Governor, Philip Lowe, announce, "Inflation has very quickly gone from being too low, to being too high."

*Growth in labour costs remains consistent with inflation returning to target while medium-term inflation expectations have remained well anchored. The cash rate should at least average 2.5% over time and will likely cycle between 2.5 and 3.5%! We are closer to normal on rates but not there yet. At some point, it will be appropriate to slow the rate of increase in interest rates, and the case for doing that becomes stronger as the level of interest rates increases."*

Meanwhile, in New Zealand, a couple of the local banks have raised their OCR forecasts, with one suggesting it will peak at 4.75%! Meanwhile manufacturing PMIs reached their highest level since July 2021 at 54.9.

In slightly concerning news, CNN reported that President Xi has told his military he wants China to have capability to take Taiwan by 2027, while Saudi Arabia and Russia see USD100 as a fair price for oil. How convenient! Meanwhile, Goldman Sachs have followed Fitch and become

way more pessimistic with their forecasts as a "higher rates path, combined with a recent tightening in financial conditions, implies a somewhat worse outlook for growth and employment next year."

And why are Goldman Sachs saying this, I hear you ask? Probably because, once again, equity markets spent a week in full retreat as inflation fears intensified and short-term bond yields reached levels last seen in 2007. The US 2-year bond yield is now at an incredible 3.86%, while the 10-year bond is at 3.45%.

Meanwhile, verbal intervention, and the odd price check from the BoJ, has capped the USD/JPY below the 145.00 level, although the USD made further gains reaching a 2 year high against the CNH while it rose to levels not seen since 1985 against GBP! However, there was positive news – European natural gas prices plummeted on EU emergency plans, which saw the EUR/USD firm back to parity.

## This week ...

... starts with the Japanese 'Respect for the Aged Day' so let's just leave that one there, okay all?

We also have three G7 central bank meetings this week with the Fed, the BoJ, and the BoE. The market is pricing in a 20% possibility the Fed will hike by 1.00%! In addition, Japan and Canada report the latest inflation and PMI prints.



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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	69.80					CAD	0.7932	0.8911
NZD/USD	0.5982	0.0001	0.0002	0.0007	0.0008	CHF	0.5770	0.6456
NZD/AUD	0.8909	-0.0004	-0.0012	-0.0025	-0.0043	CNY	4.1658	4.6710
NZD/JPY	85.59	-0.24	-0.79	-1.83	-3.84	DKK	4.4446	4.9855
NZD/EUR	0.5977	-0.0012	-0.0037	-0.0071	-0.0136	FJD	1.3267	1.4881
NZD/GBP	0.5241	-0.0003	-0.0010	-0.0016	-0.0018	HKD	4.6951	5.2665
						KRW	828.37	929.18
AU TWI	62.50					MYR	2.7116	3.0416
AUD/USD	0.6813	0.0004	0.0011	0.0027	0.0035	NOK	6.0915	6.8328
AUD/NZD	0.6535	0.0005	0.0014	0.0028	0.0033	SEK	6.4272	7.2094
AUD/JPY	96.00	-0.22	-0.76	-1.79	-3.97	SGD	0.8408	0.9431
AUD/EUR	0.6697	-0.0011	-0.0033	-0.0062	-0.0129	TWD	18.70	20.98
AUD/GBP	0.5879	-0.0001	-0.0003	-0.0002	0.0000	ZAR	10.53	11.81
USD Index	109.64					<b>EQUITIES</b>		
EUR/USD	1.0015	0.0021	0.0065	0.0130	0.0239		<b>Index</b>	
USD/JPY	142.94	-0.41	-1.38	-3.22	-6.66	NZX50	11,580	
GBP/USD	1.1409	0.0008	0.0022	0.0045	0.0051	ASX200	6,739	
EUR/GBP	0.8768	0.0012	0.0037	0.0077	0.0161	Dow Jones	30,822	
						S&P 500	3,873	
<b>INTEREST RATES</b>						FTSE100	7,237	
		<b>New Zealand</b>		<b>Australia</b>		DAX 30	12,741	
		<b>Mid</b>		<b>Mid</b>		Nikkei	27,568	
30 day bank bills		3.31%		2.48%		<b>COMMODITIES</b>		
90 day bank bills		3.67%		2.85%			<b>USD</b>	
1 year swap		4.36%		3.65%		Brent Crude	91.35	
2 year swap		4.48%		3.82%		Gold	1,674.94	
3 year swap		4.39%		3.77%		Silver	19.56	
5 year swap		4.25%		3.80%		Iron Ore	99.26	
10 year swap		4.20%		4.01%		CRB Index	299.11	
3 year Govt bond		4.05%		3.46%			<b>NZD</b>	
5 year Govt bond		4.05%		3.57%		NZ Carbon	83.00	
10 year Govt bond		4.14%		3.80%				

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