

# Market Alert

Tuesday 27 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5642	0.0008
NZD/AUD	0.8726	-0.0021
NZD/JPY	82.32	-1.73
NZD/EUR	0.5923	-0.0072
NZD/GBP	0.5272	0.0002
NZD/CNH	4.0453	-0.0222
AUD/USD	0.6465	0.0024
AUD/EUR	0.6721	-0.0067
EUR/USD	0.9618	0.0132
USD/CNH	7.1687	-0.0495
GBP/USD	1.0698	-0.0006
EUR/GBP	0.8989	0.0112

  

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.79%	3.03%
2 year swap	4.61%	4.17%
10 year Govt	4.22%	4.06%

## It would appear we've gone from speculating on a global recession ...

... to actively pricing one in!

With last week's Federal Reserve meeting projecting rate hikes as high as 4.6% in 2023, and Fed Chair, Jerome Powell, stating that a soft landing, or even a moderate recession, is unlikely, investors are battening down the hatches in preparation of a prolonged recession, with global equity markets remaining under pressure. This has also contributed

to further safe haven buying of the USD which has, yet again, reached new multi-decade highs, the USD Index surging to the 114.00 level.

It may only be a matter of time before we start hearing the phase 'currency war' repeated regularly by market commentators!

## And the Bank of England isn't helping!

With rumours circulating that the BoE may embark upon a mid-meeting hike, it announced it is monitoring financial market developments "very closely" after the pound fell to an all time low against the USD at 1.0645 before adding, "The Bank is monitoring developments in financial markets very closely in light of the significant repricing of financial assets," which is interesting considering the 10-year gilt yield has surged 75bps, to 4.25%, in the last two trading sessions!

The EUR has also fallen to a 20-year low at 0.9605 after ECB President, Christine Lagarde's, testimony to the European Parliament stated, "Risks to inflation are primarily on the upside. We expect activity to slow substantially in the coming quarters. Demand for services is losing steam. We expect to raise rates further over the next several weeks."

Finally, the BoJ's intervention to support the JPY has only had a limited impact given that the key driver, the interest rate differential between the US and Japan, remains in place. This has seen USD/JPY bounce back to 144.75, having eased from its 24-year high of 145.90 to a low of 140.35 after the intervention.

We have also had a surge of central bank speakers hitting the newswires, with ECB member, Joachim Nagel, announcing "Decisive ECB rate hikes are needed," while Fed member, Lorrie Logan, added, "The rate of inflation is far too high" and her colleague, Raphael Bostic, added, "Investor reaction to the UK's fiscal plan is due to rising uncertainty. Until inflation is under control, there will be volatility in financial markets."

In actual data releases, the OECD downgraded its global economic growth projections to 2.2%, from June's forecast of 2.8%, while the Chicago Fed's national activity index fell to 0.0 in August, from July's 5 month high of 0.29, which will also moderate US growth.

With equity and commodity markets a sea of red, bond yields have surged to multi-year highs with the US 10-year yield exploding 17bps to 3.87%, which has seen the NZD and AUD fall to fresh 29-month lows against the USD, with 0.5625 being the NZD/USD low so far and 0.6438 the AUD/USD low.



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# Daily Rates

Tuesday 27 September 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.00					CAD	0.7748	0.8865
NZD/USD	0.5642	0.0000	0.0002	0.0008	0.0017	CHF	0.5609	0.6429
NZD/AUD	0.8726	-0.0005	-0.0012	-0.0021	-0.0022	CNY	4.0617	4.6256
NZD/JPY	82.32	-0.24	-0.77	-1.73	-3.71	DKK	4.3619	4.9982
NZD/EUR	0.5923	-0.0013	-0.0037	-0.0072	-0.0123	FJD	1.2782	1.4647
NZD/GBP	0.5272	-0.0004	-0.0006	0.0002	0.0039	HKD	4.4289	5.0749
						KRW	805.84	923.39
AU TWI	61.90					MYR	2.5959	2.9745
AUD/USD	0.6813	0.0003	0.0010	0.0024	0.0029	NOK	6.1008	6.9907
AUD/NZD	0.6535	0.0005	0.0013	0.0023	0.0017	SEK	6.4012	7.3350
AUD/JPY	93.40	-0.23	-0.77	-1.77	-4.04	SGD	0.8108	0.9291
AUD/EUR	0.6721	-0.0012	-0.0034	-0.0067	-0.0126	TWD	17.95	20.57
AUD/GBP	0.6041	-0.0002	0.0001	0.0016	0.0059	ZAR	10.18	11.67
USD Index	114.06					<b>EQUITIES</b>		
EUR/USD	0.9618	0.0021	0.0063	0.0132	0.0227		<b>Index</b>	
USD/JPY	144.56	-0.41	-1.41	-3.27	-6.98	NZX50	11,435	
GBP/USD	1.0698	0.0004	0.0000	-0.0006	-0.0058	ASX200	6,469	
EUR/GBP	0.8989	0.0012	0.0046	0.0112	0.0260	Dow Jones	29,361	
						S&P 500	3,671	
						FTSE100	7,021	
						DAX 30	12,228	
						Nikkei	26,432	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>			
			<b>Mid</b>		<b>Mid</b>			
30 day bank bills			3.42%		2.64%			
90 day bank bills			3.79%		3.03%			
1 year swap			4.48%		3.91%			
2 year swap			4.61%		4.17%			
3 year swap			4.53%		4.16%			
5 year swap			4.40%		4.17%			
10 year swap			4.35%		4.30%			
3 year Govt bond			4.18%		3.78%			
5 year Govt bond			4.15%		3.89%			
10 year Govt bond			4.22%		4.06%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	84.31	
						Gold	1,629.99	
						Silver	18.45	
						Iron Ore	98.89	
						CRB Index	283.73	
							<b>NZD</b>	
						NZ Carbon	0.00	

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