

# Market Alert

Friday 30 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5692	0.0006
NZD/AUD	0.8793	-0.0023
NZD/JPY	82.24	-1.80
NZD/EUR	0.5816	-0.0074
NZD/GBP	0.5144	0.0005
NZD/CNH	4.0408	-0.0194
AUD/USD	0.6474	0.0023
AUD/EUR	0.6613	-0.0067
EUR/USD	0.9786	0.0134
USD/CNH	7.0980	-0.0420
GBP/USD	1.1061	-0.0005
EUR/GBP	0.8844	0.0120

  

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.86%	3.08%
2 year swap	4.70%	4.01%
10 year Govt	4.28%	4.02%

## Yesterday's relief rally was just that ...

a relief rally ... and now we've reverted to trend!

Equities are a sea of red, down between 2.0-4.0%, while commodity markets are contracting on the risk of a global slowdown. Bond markets are a mixed bag with NZ and AU yields substantially lower, while the T-bond firmed 4bps to 3.75%, while the 10-year gilt yield jumped 20bps to 4.215%! Interestingly, the EUR and GBP firmed against the USD, as the NZD and

AUD came under renewed selling pressure. Deutsche Bank were happy to put the knife into the NZD stating, "with dollar strength likely to continue, selling NZD/USD also looks attractive: a richly priced central bank, deteriorating external accounts and weak growth all bode poorly. Australia looks robust by comparison – a record employment ratio, robust business sentiment, retail sales ticking along."

German inflation soared to double-digit levels at 10.0% in the year to September, which was up from August's 7.9%, as monthly inflation increased 1.9%! Meanwhile, economic sentiment in the Eurozone dropped to 93.7 from 97.3, indicating a likely contraction in the economy in Q3. US initial claims fell by 16,000 to 193,000 to reach its lowest level since April, well below market expectations of 215,000. In New Zealand, we had the release of the September business sentiment, which was depressing at -36.7, rather than last month's utterly depressing -47.8. The own activity outlook remained in negative territory at -1.8 having improved from -4.0. Australian official monthly CPI report showed August annualised inflation grew at 6.8%, which was lower than July's 7.0% although the core increased from 5.5% to 6.2%.

Central bankers also double-downed on their rhetoric with BOE chief economist, Huw Pill, announcing "it's hard to avoid the

conclusion that the fiscal easing announced will prompt a significant and necessary monetary policy response in November. Yesterday's operation was not a monetary policy operation, it was intended to prevent a painful and self-fulfilling market dynamic. BoE operations are not intended to cap or control longer-term interest rates."

This was followed by the Fed's James Bullard with, "if US unemployment rises to 4.5%, that would still be healthy. Long and variable lags are less common now due to Fed transparency. I pay a lot of attention to market-based measures of inflation expectations such as TIPS and swaps. There's a risk management emphasis, which means we need to stay higher for longer," followed by Loretta Mester's statement "a recession won't stop the Fed from raising rates." Finally, World Bank President, David Malpass, announced "it may take years for global energy production to diversify away from Russia, prolonging the risk of stagflation. The pressing danger for the developing world is that sharp slowdown in global growth deepens into a global recession."

This is about as blunt as you'll get from BlackRock with "many central banks aren't acknowledging the extent of recession needed to rapidly reduce inflation. Markets haven't priced that (either) so we're shunning most stocks!" While Stanley Druckenmiller announced "I will be stunned if we don't have recession in '23. The central case a hard landing, owning assets doesn't make a lot of sense."



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# Daily Rates

Friday 30 September 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	68.40					CAD	0.7806	0.8878
NZD/USD	0.5692	0.0000	0.0002	0.0006	0.0003	CHF	0.5570	0.6335
NZD/AUD	0.8793	-0.0003	-0.0013	-0.0023	-0.0037	CNY	4.0567	4.6127
NZD/JPY	82.24	-0.24	-0.89	-1.80	-3.83	DKK	4.3243	4.9184
NZD/EUR	0.5816	-0.0012	-0.0043	-0.0074	-0.0134	FJD	1.3040	1.4832
NZD/GBP	0.5144	-0.0003	-0.0006	0.0005	0.0029	HKD	4.4682	5.0820
						KRW	813.03	924.73
AU TWI	61.80					MYR	2.6371	2.9994
AUD/USD	0.6813	0.0002	0.0011	0.0023	0.0027	NOK	6.1137	6.9537
AUD/NZD	0.6535	0.0003	0.0014	0.0026	0.0033	SEK	6.3719	7.2473
AUD/JPY	93.51	-0.24	-0.87	-1.81	-4.02	SGD	0.8162	0.9284
AUD/EUR	0.6613	-0.0012	-0.0039	-0.0067	-0.0129	TWD	18.06	20.54
AUD/GBP	0.5851	-0.0002	0.0001	0.0021	0.0056	ZAR	10.24	11.66
USD Index	112.36					<b>EQUITIES</b>		
EUR/USD	0.9786	0.0021	0.0075	0.0134	0.0227		<b>Index</b>	
USD/JPY	144.44	-0.43	-1.62	-3.30	-6.83	NZX50	11,200	
GBP/USD	1.1061	0.0006	0.0011	-0.0005	-0.0065	ASX200	6,555	
EUR/GBP	0.8844	0.0013	0.0053	0.0120	0.0257	Dow Jones	29,089	
						S&P 500	3,614	
<b>INTEREST RATES</b>						FTSE100	6,882	
		<b>New Zealand</b>		<b>Australia</b>		DAX 30	11,976	
		<b>Mid</b>		<b>Mid</b>		Nikkei	26,422	
30 day bank bills		3.48%		2.72%		<b>COMMODITIES</b>		
90 day bank bills		3.86%		3.08%			<b>USD</b>	
1 year swap		4.62%		3.84%		Brent Crude	88.24	
2 year swap		4.70%		4.01%		Gold	1,658.19	
3 year swap		4.63%		4.02%		Silver	18.72	
5 year swap		4.48%		4.14%		Iron Ore	98.52	
10 year swap		4.43%		4.35%		CRB Index	291.85	
3 year Govt bond		4.21%		3.66%			<b>NZD</b>	
5 year Govt bond		4.20%		3.80%		NZ Carbon	79.00	
10 year Govt bond		4.28%		4.02%				

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