

# Market Alert

Monday 5 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6098	-0.0003
NZD/AUD	0.8972	-0.0026
NZD/JPY	85.61	-1.69
NZD/EUR	0.6128	-0.0080
NZD/GBP	0.5312	-0.0016
NZD/CNH	4.2254	0.0000
AUD/USD	0.6794	0.0016
AUD/EUR	0.6833	-0.0070
EUR/USD	0.9941	0.0125
USD/CNH	6.9176	0.0000
GBP/USD	1.1471	0.0029
EUR/GBP	0.8658	0.0086

  

INT RATES	NZ	Australia
OCR/Cash	3.00%	1.85%
90 day bills	3.52%	2.54%
2 year swap	4.30%	3.66%
10 year Govt	4.06%	3.72%

## Much ado about nothing

Friday evening's much anticipated US jobs reports had a little for everyone after the headline number saw 315,000 jobs added to the US economy in August, which was above forecasts of 298,000 but below July's 526,000. Higher participation saw the unemployment rate climb to 3.7%, slightly above expectations, while wages also rose with average hourly earnings up 5.2% from a year ago. However, drilling into the detail, full-time jobs fell by 242,000 while part-time positions gained

by 413,000. Furthermore, revisions to the June and July numbers saw a combined net drop of 107,000 from previous estimates. In other data releases, new orders for US manufactured goods fell -1.0% in July, missing market forecasts of a 0.2% increase.

While equity markets initially saw the news as a positive, US markets eventually erased their gains and ended the session broadly -1.0% lower, which was in stark contrast to European markets which closed their sessions 1.5%-2.5% higher after rumours circulated that EU energy ministers would meet to discuss emergency liquidity support and gas price caps for companies facing higher margin calls after Gazprom announced the Nord Stream 1 pipeline would not re-open on 3rd September as originally indicated.

Furthermore, rumours started to circulate in Germany that the Chancellor, Olaf Scholz, has sealed a EUR40 billion relief plan to help millions of household's cope with soaring electricity prices amid Europe's harshest energy crunch in decades. In amongst this, natural gas prices closed Friday -4.0% lower, while commodity prices were broadly flat. The US 10-year Treasury yield closed the week at 3.19%, while the USD Index eased back below the 110.00 level and the NZD and AUD flatlined.

There was some good news, in that the FAO Food Price Index, a food index generated

by the Food and Agriculture Organization of the United Nations, declined for a fifth consecutive month in August, predominately driven by lower cereal prices after wheat prices fell -5.1%.

The British Chambers of Commerce (BCC) announced the "UK is already in the midst of a recession. The BCC expects the UK economy to contract for 2 more quarterly periods following the contraction in Q2. Inflation (is forecast) to reach 14% later this year."

New Zealand Q2 terms of trade contracted -2.4%, which was worse than the -1.3% forecast. Exports rose 3.7%, although import prices rose even further, jumping 6.5% predominately driven via higher energy prices.

## The week ahead

This week we have the RBA on Tuesday, The BoC on the evening of 7 September, while the ECB rounds out the week on 8 September. We also have several macro releases including Australian Q2 GDP, trade, and retail sales releases, and, from the Euro-zone, Q2 GDP, and S&P PMIs.

Today the US is closed for their Labour Day holiday, or Labor Day as they call it, while later in the week we have ISM Services PMIs, trade data and wholesale inventories, with the usual mix of Fed speakers. Finally, out of China, we have their consumer inflation and trade releases.



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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	70.30					CAD	0.8008	0.8935
NZD/USD	0.6098	-0.0001	-0.0002	-0.0003	-0.0011	CHF	0.5982	0.6671
NZD/AUD	0.8972	-0.0005	-0.0015	-0.0026	-0.0039	CNY	4.2251	4.7177
NZD/JPY	85.61	-0.22	-0.74	-1.69	-3.66	DKK	4.5600	5.0805
NZD/EUR	0.6128	-0.0013	-0.0039	-0.0080	-0.0151	FJD	1.3420	1.4952
NZD/GBP	0.5312	-0.0003	-0.0009	-0.0016	-0.0020	HKD	4.7861	5.3323
						KRW	830.03	924.77
AU TWI	62.60					MYR	2.7331	3.0451
AUD/USD	0.6813	0.0003	0.0009	0.0016	0.0010	NOK	6.1117	6.8092
AUD/NZD	0.6535	0.0005	0.0016	0.0028	0.0038	SEK	6.5853	7.3369
AUD/JPY	95.46	-0.19	-0.67	-1.63	-3.68	SGD	0.8546	0.9521
AUD/EUR	0.6833	-0.0011	-0.0033	-0.0070	-0.0140	TWD	18.67	20.80
AUD/GBP	0.5919	0.0000	-0.0001	-0.0002	0.0003	ZAR	10.55	11.75
USD Index	109.61					<b>EQUITIES</b>		
EUR/USD	0.9941	0.0020	0.0061	0.0125	0.0225		<b>Index</b>	
USD/JPY	140.17	-0.34	-1.17	-2.72	-5.77	NZX50	11,628	
GBP/USD	1.1471	0.0006	0.0016	0.0029	0.0003	ASX200	6,829	
EUR/GBP	0.8658	0.0012	0.0040	0.0086	0.0183	Dow Jones	31,318	
						S&P 500	3,924	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		FTSE100	7,281	
		<b>Mid</b>		<b>Mid</b>		DAX 30	13,050	
30 day bank bills		3.11%		2.19%		Nikkei	27,651	
90 day bank bills		3.52%		2.54%		<b>COMMODITIES</b>		
1 year swap		4.16%		3.44%			<b>USD</b>	
2 year swap		4.30%		3.66%		Brent Crude	93.02	
3 year swap		4.26%		3.69%		Gold	1,711.44	
5 year swap		4.14%		3.74%		Silver	18.02	
10 year swap		4.14%		3.98%		Iron Ore	95.55	
3 year Govt bond		3.92%		3.29%		CRB Index	304.76	
5 year Govt bond		3.94%		3.45%			<b>NZD</b>	
10 year Govt bond		4.06%		3.72%		NZ Carbon	87.05	

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