

Market Alert

Wednesday 12 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5599	0.0011
NZD/AUD	0.8909	-0.0038
NZD/JPY	81.60	-1.79
NZD/EUR	0.5756	-0.0070
NZD/GBP	0.5061	0.0002
NZD/CNH	3.9871	-0.0275
AUD/USD	0.6283	0.0038
AUD/EUR	0.6458	-0.0053
EUR/USD	0.9727	0.0136
USD/CNH	7.1655	-0.0625
GBP/USD	1.1058	0.0012
EUR/GBP	0.8796	0.0109

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	3.94%	2.96%
2 year swap	4.86%	3.86%
10 year Govt	4.59%	4.12%

"The worst is yet to come, 2023 will feel like a recession"

If it looks like a recession, feels like a recession, then it probably is a recession!

Once again, the IMF has taken a knife to their economic forecasts, but at least there was a silver lining this time in that they maintained their 2022 forecast for the global economy at 3.2%, in line with its July forecast, but that is where the good news ended with growth due to slow to 2.7% in 2023, down from its earlier 2.9% prediction.

The US, China, and the Euro Area are all expected to stall while global inflation is forecasted to rise to 8.8% in 2022 and decline to 6.5% in 2023 and 4.1% by 2024.

In overnight headlines, US consumer inflation expectations for the year ahead declined for a third month to 5.4% from August's 5.7%. The three-year-ahead inflation expectations rose to 2.9% from 2.8%. The US IBD/TIPP economic optimism index fell back from its September 5 month high at 44.7 to 41.6 in October while 61% of Americans believe the US economy is already in a recession, up from September's 59%. In the UK, the jobless rate fell to its lowest rate since 1974 at 3.5%, exceeding forecasts at 3.6%.

BoE Governor, Andrew Bailey, was clear to pension funds 'you have three days left to get this done', *"we have unprecedented volatility in the long end of the gilt market. We saw quite a serious crystallisation of risk; that remains a live issue, but the BoE will be out of the market by the end of the week!"* Fed member, Loretta Mester, was a little vague when she said, *"we can't say how far the balance sheet will need to shrink! The biggest policy risk is that Fed doesn't hike rates enough."*

In the Antipodean corner, RBNZ Governor, Adrian Orr, stated in the central bank's annual report, *"further efforts are needed*

to reduce inflation," while the Truckometer index highlighted there may be some upside risk to Q3 GDP after the heavy traffic index lifted 1.6% as, *"demand has so far proven relatively resilient, and while retail activity is definitely down, it hasn't fallen off a cliff."* The Light Traffic Index increased 1.9%. Electronic card spending, which covers about 68% of core retail sales in New Zealand, grew 1.4% on the month and 28.6% on the year.

The Australian Treasurer, Jim Chalmers, announced, *"our expectation is that the Australian economy will go backwards, but the budget will not have a recession forecast into it."*

Consumer confidence fell 0.9% to 83.7 remaining deeply pessimistic as concerns increase around cost of living, rising interest rates, and concerns about the near term outlook for the economy. Finally, household spending contracted 0.5% in September, up 14.1% on the year.

Overnight was relatively subdued, equity and commodity markets mixed, as were bond and FX markets. In fact, everything was a mixed bag last night! The NZD rallied 0.5%, the AUD fell 0.5%, and the USD index, flatlined!

It was a similar story in the bond markets with the Australian 10-year yield surging 12bps to 4.00%, while the US T-bond fell 2bps to 3.94%.



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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	67.00					CAD	0.7712	0.8656
NZD/USD	0.5599	0.0001	0.0004	0.0011	0.0004	CHF	0.5572	0.6255
NZD/AUD	0.8909	-0.0004	-0.0019	-0.0038	-0.0090	CNY	4.0185	4.5151
NZD/JPY	81.60	-0.24	-0.88	-1.79	-3.90	DKK	4.2807	4.8033
NZD/EUR	0.5756	-0.0012	-0.0042	-0.0070	-0.0132	FJD	1.2842	1.4416
NZD/GBP	0.5061	-0.0003	-0.0007	0.0002	0.0020	HKD	4.3943	4.9320
						KRW	800.88	898.86
AU TWI	59.80					MYR	2.6148	2.9348
AUD/USD	0.6813	0.0004	0.0018	0.0038	0.0055	NOK	6.0074	6.7413
AUD/NZD	0.6535	0.0004	0.0022	0.0044	0.0066	SEK	6.3429	7.1178
AUD/JPY	91.57	-0.23	-0.80	-1.64	-3.79	SGD	0.8045	0.9030
AUD/EUR	0.6458	-0.0011	-0.0033	-0.0053	-0.0111	TWD	17.82	20.00
AUD/GBP	0.5680	-0.0001	0.0004	0.0026	0.0061	ZAR	10.14	11.38
USD Index	112.73					EQUITIES		
EUR/USD	0.9727	0.0022	0.0076	0.0136	0.0234		Index	
USD/JPY	145.76	-0.46	-1.68	-3.48	-7.26	NZX50	10,957	
GBP/USD	1.1058	0.0007	0.0022	0.0012	-0.0038	ASX200	6,645	
EUR/GBP	0.8796	0.0013	0.0050	0.0109	0.0240	Dow Jones	29,327	
						S&P 500	3,626	
						FTSE100	6,885	
						DAX 30	12,220	
						Nikkei	26,401	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.57%		2.72%			
90 day bank bills			3.94%		2.96%			
1 year swap			4.77%		3.60%			
2 year swap			4.86%		3.86%			
3 year swap			4.77%		3.94%			
5 year swap			4.62%		4.04%			
10 year swap			4.60%		4.34%			
3 year Govt bond			4.44%		3.52%			
5 year Govt bond			4.45%		3.76%			
10 year Govt bond			4.59%		4.12%			
						COMMODITIES		
							USD	
						Brent Crude	94.11	
						Gold	1,673.19	
						Silver	19.26	
						Iron Ore	97.35	
						CRB Index	304.26	
							NZD	
						NZ Carbon	80.75	

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