

Market Alert

Monday 17 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5563	0.0013
NZD/AUD	0.8964	-0.0043
NZD/JPY	82.63	-1.88
NZD/EUR	0.5692	-0.0071
NZD/GBP	0.4962	-0.0001
NZD/CNH	4.0220	0.0000
AUD/USD	0.6195	0.0043
AUD/EUR	0.6371	-0.0051
EUR/USD	0.9719	0.0143
USD/CNH	7.2162	0.0000
GBP/USD	1.1204	0.0023
EUR/GBP	0.8692	0.0106

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.01%	2.98%
2 year swap	4.92%	3.96%
10 year Govt	4.58%	4.07%

Another weekend, and another bloodbath ...

... in UK politics!

UK Chancellor Kwasi Kwarteng cut short his trip to the IMF and returned to the UK, only to be sacked by UK PM Liz Truss on arrival! New Chancellor, Jeremy Hunt then warned of tax rises and cuts on spending. The PM also reversed plans to scrap an increase in the UK's corporate tax rate, which is now due to increase to 25% from 19%. This is the second backtrack on the controversial 'mini-budget.' Seriously, you couldn't make this stuff up! If I wrote a book about this, it would definitely end up in the non-fiction section!

In terms of actual data, Friday saw the University of Michigan consumer sentiment produce strong results rising to its highest level in 6-months at 59.8 in October, up from September's 58.6 and above market expectations of 59. The inflation expectations index also surged to 5.1% in the 1-year, and 2.9% in the 5 to 10-years. US retail trade didn't fare quite so well being unchanged in September, missing expectations of 0.2%, as high inflation and rising borrowing costs hit consumer demand.

In the Euro-zone, Christine Lagarde warned financial stability in the Euro area is at risk as macro conditions weigh on companies' and households' debt-servicing capacity and emphasised that markets may be pricing in outcomes that are "too optimistic." In NZ, September manufacturing PMIs eased to 52.0 as labour shortages, decreased demand, and cost pressures impacted manufacturers, while the Singaporean central bank has re-centred the mid-point of S\$NEER band in its 4th rate hike this year.

President Xi, speaking at the opening ceremony of the Communist Party 20th National Congress, heralded a 'critical time' in China's history declaring the "rejuvenation of the Chinese nation is now on an irreversible historical course" with plenty of references to Taiwan reserving the right to "take all measures necessary" against "interference by outside forces." Economically, Chinese CPI reached 2.8% in the year to September, in line with

expectations but above Q2's 2.5%. It was the highest print since April 2020 as food CPI reached 8.8%, while non-food costs rose 1.5%. PPI also reached 0.9% on the year after falling -0.1% on the month. Finally, PBoC Governor, Yi Gang, announced, "We will accelerate the implementation of prudent monetary policy to provide stronger support for the real economy."

Ultimately, US equities wavered on investment bank earnings and the University of Michigan inflation results, although European equity markets closed in positive territory riding the bounce from Thursday's session. Treasury yields continued to grind higher, with the T-bond up 5pips to 4.00%, which supported the US-dollar driving the NZD and AUD lower. Oil and gold also declined.

But let's look ahead ...

To another week of carnage!

This week will be dominated by the US earnings season, Fed speeches, and housing data. The markets will also be following the political manoeuvrings in the UK to see if the PM can last the week, while the Chinese 20th National Congress continues ahead of Q3 GDP, industrial production, and retail sales releases. We also have inflation releases from the UK, Japan, Canada, and New Zealand.



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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	68.00					CAD	0.7719 0.8608
NZD/USD	0.5563	0.0001	0.0005	0.0013	0.0019	CHF	0.5591 0.6223
NZD/AUD	0.8964	-0.0006	-0.0022	-0.0043	-0.0078	CNY	4.0053 4.4749
NZD/JPY	82.63	-0.25	-0.92	-1.88	-4.06	DKK	4.2562 4.7397
NZD/EUR	0.5692	-0.0012	-0.0042	-0.0071	-0.0135	FJD	1.2922 1.4390
NZD/GBP	0.4962	-0.0003	-0.0007	-0.0001	0.0006	HKD	4.3668 4.8629
						KRW	801.32 892.35
AU TWI	60.30					MYR	2.6146 2.9117
AUD/USD	0.6813	0.0005	0.0020	0.0043	0.0066	NOK	5.8941 6.5637
AUD/NZD	0.6535	0.0006	0.0026	0.0048	0.0085	SEK	6.2859 7.0000
AUD/JPY	92.22	-0.23	-0.80	-1.68	-3.77	SGD	0.7928 0.8828
AUD/EUR	0.6371	-0.0009	-0.0031	-0.0051	-0.0098	TWD	17.79 19.81
AUD/GBP	0.5525	0.0000	0.0006	0.0025	0.0055	ZAR	10.21 11.37
USD Index	113.30					EQUITIES	
EUR/USD	0.9719	0.0021	0.0079	0.0143	0.0252		Index
USD/JPY	148.74	-0.48	-1.78	-3.72	-7.84	NZX50	10,868
GBP/USD	1.1204	0.0007	0.0024	0.0023	0.0003	ASX200	6,759
EUR/GBP	0.8692	0.0012	0.0051	0.0106	0.0217	Dow Jones	29,635
						S&P 500	3,583
INTEREST RATES			New Zealand		Australia	FTSE100	6,859
			Mid		Mid	DAX 30	12,438
30 day bank bills			3.57%		2.73%	Nikkei	27,091
90 day bank bills			4.01%		2.98%	COMMODITIES	
1 year swap			4.83%		3.60%		USD
2 year swap			4.92%		3.96%	Brent Crude	91.63
3 year swap			4.83%		3.90%	Gold	1,641.76
5 year swap			4.69%		4.03%	Silver	18.26
10 year swap			4.67%		4.31%	Iron Ore	95.93
3 year Govt bond			4.44%		3.51%	CRB Index	297.53
5 year Govt bond			4.45%		3.72%		NZD
10 year Govt bond			4.58%		4.07%	NZ Carbon	81.00

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