

Market Alert

Tuesday 25 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5684	0.0005
NZD/AUD	0.9018	-0.0050
NZD/JPY	85.09	-2.05
NZD/EUR	0.5801	-0.0078
NZD/GBP	0.5034	-0.0017
NZD/CNH	4.1545	-0.0405
AUD/USD	0.6305	0.0040
AUD/EUR	0.6386	-0.0054
EUR/USD	0.9872	0.0142
USD/CNH	7.3206	-0.0778
GBP/USD	1.1286	0.0043
EUR/GBP	0.8745	0.0089

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.17%	3.09%
2 year swap	5.30%	4.17%
10 year Govt	4.74%	4.23%

The dictators continue to cement their powerbases!

First up was Rishi Sunak who was appointed as the latest UK Prime Minister after challenger Penny Mordaunt conceded. But, while markets liked the news with the pound steady and gilts rallying strongly, which saw the 10-year yield fall 31bps to 3.74%, Terra Firma boss Guy Hands announced the UK economy is "frankly doomed" unless the government can re-negotiate Brexit, with the UK "the sick man of Europe," as "the Brexit that was done is completely hopeless and will only drive Britain into a disastrous economic state." The data backed up his thoughts after UK composite PMI fell to 47.2 in October, well below the 48.1 consensus

and deeper into contractionary territory with the consensus view suggesting the UK economy will shrink in Q4.

It was a similar story in China after President Xi Jinping's tightened his grip on power by securing a historic third term and packing the Politburo with his supporters. This represents a move to securing political stability over economic developments as represented by the appointments of the country's police chief and their top spy! We also had the delayed release of the Chinese Q3 GDP numbers, which improved 0.4% on the quarter headlining at 3.9% year-on-year growth. China also released their September trade numbers with exports above expectations increasing 5.7% in US-dollar terms while imports rose 0.3%.

Euro-zone October PMIs also suggest the euro-area economy is headed for a recession after the composite gauge slumped more than expected to 47.1, its lowest since April 2013 with the downturn most pronounced in the manufacturing sector, especially energy-intensive sectors. Later in the week, the ECB is all but certain to deliver another hike of 75 bps with most forecasters suggesting Christine Lagarde will probably refrain from announcing the ECB's start date for QT.

It was a similar story in the US where the composite PMI declined to 47.3 in October from September's 49.5. It was the 2nd fastest pace of contraction in the private sector since 2009 with

the exception of the initial pandemic period. Service providers also reported the 2nd largest output decline in almost two-and-a-half years, as rising prices and higher borrowing costs hit demand while manufacturing output grew only marginally. Australian manufacturing PMIs increased to 50.20 points in September from 49.30 points in August, barely edging out of contractionary territory.

International equity markets tread-water ahead of a raft of US earnings after the bell. Commodities were steady, although natural gas and heating oil rallied as we approach winter. Meanwhile bond markets were quiet with the US 10-year yield up 2 bps to 4.26%. The US-dollar rose, with the NZD and AUD each losing more than 1.0%.

For the rest of the week.

As Federal Reserve members enter their blackout period ahead of their November meeting, the markets will have to focus on the data with the PCE deflator and Q3 GDP being the highlights. We also have interest rate announcements from the ECB, Bank of Canada with hikes of 0.75 and 0.50 expected, while we also have the release of the German Ifo survey tomorrow. Finally, we have the Australia budget update and inflation data.



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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	68.50					CAD	0.7802	0.8640
NZD/USD	0.5684	0.0002	0.0004	0.0005	-0.0006	CHF	0.5691	0.6313
NZD/AUD	0.9018	-0.0004	-0.0021	-0.0050	-0.0091	CNY	4.1270	4.5739
NZD/JPY	85.09	-0.27	-0.96	-2.05	-4.44	DKK	4.2827	4.7506
NZD/EUR	0.5801	-0.0012	-0.0041	-0.0078	-0.0153	FJD	1.2986	1.4405
NZD/GBP	0.5034	-0.0003	-0.0010	-0.0017	-0.0027	HKD	4.4618	4.9493
						KRW	820.47	910.11
AU TWI	60.80					MYR	2.6919	2.9860
AUD/USD	0.6813	0.0005	0.0020	0.0040	0.0056	NOK	5.9794	6.6315
AUD/NZD	0.6535	0.0004	0.0024	0.0053	0.0099	SEK	6.3576	7.0535
AUD/JPY	93.96	-0.26	-0.86	-1.81	-4.05	SGD	0.8085	0.8968
AUD/EUR	0.6386	-0.0010	-0.0031	-0.0054	-0.0109	TWD	18.38	20.39
AUD/GBP	0.5585	-0.0001	0.0001	0.0011	0.0024	ZAR	10.48	11.62
USD Index	112.04					EQUITIES		
EUR/USD	0.9872	0.0023	0.0076	0.0142	0.0258		Index	
USD/JPY	148.90	-0.53	-1.80	-3.75	-7.74	NZX50	10,782	
GBP/USD	1.1286	0.0008	0.0030	0.0043	0.0045	ASX200	6,779	
EUR/GBP	0.8745	0.0013	0.0043	0.0089	0.0186	Dow Jones	31,565	
						S&P 500	3,793	
						FTSE100	7,014	
						DAX 30	12,931	
						Nikkei	26,975	
						COMMODITIES		
							USD	
						Brent Crude	93.28	
						Gold	1,649.26	
						Silver	19.22	
						Iron Ore	94.86	
						CRB Index	293.09	
							NZD	
						NZ Carbon	81.20	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	3.66%		2.85%
90 day bank bills	4.17%		3.09%
1 year swap	5.26%		3.90%
2 year swap	5.30%		4.17%
3 year swap	5.21%		4.22%
5 year swap	5.05%		4.33%
10 year swap	4.99%		4.67%
3 year Govt bond	4.72%		3.62%
5 year Govt bond	4.69%		3.83%
10 year Govt bond	4.74%		4.23%

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