

Market Alert

Wednesday 26 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5751	0.0010
NZD/AUD	0.9002	-0.0042
NZD/JPY	85.09	-2.01
NZD/EUR	0.5774	-0.0073
NZD/GBP	0.5014	-0.0012
NZD/CNH	4.2085	-0.0349
AUD/USD	0.6387	0.0041
AUD/EUR	0.6411	-0.0053
EUR/USD	0.9958	0.0142
USD/CNH	7.3196	-0.0736
GBP/USD	1.1466	0.0045
EUR/GBP	0.8682	0.0086

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.17%	3.08%
2 year swap	5.12%	4.06%
10 year Govt	4.67%	4.15%

From around the world ...

US consumer confidence fell in October to a 3-month low, decreasing to 102.5 from September's 107.8. House-price growth slowed at a record pace as the S&P CoreLogic Case-Shiller index contracted -1.3% on the month to record a 13% increase in the year to August, which was down from July's 15.6% gain.

German business expectations improved modestly in October, although at 75.6 it remains at depressed levels from September's revised 75.3 in September. But while the speed of the weakening in sentiment is at least slowing, there is very little evidence that the German economy can avoid recession after the business climate dropped for the fifth consecutive

month to 84.3 from September's upwardly revised 84.4.

Word on the street is that the ECB will act to stop banks from profiting of the scheduled round of rate-hikes given the TLTRO facility allows banks to deposit funds at the ECB and earn interest that exceeds their costs.

Rishi Sunak is set to keep Jeremy Hunt as chancellor to keep markets calm and his government united while BoE policymaker David Ramsden says the October PMI consistent with UK economy being in recession.

RBNZ Chief economist Conway announced the Bank is hopeful that inflation has peaked, and while I like the 'fingers-crossed' approach to macro-economics, he expanded the point stating, "As interest rates have risen, there are early indications that the economy is cooling. The fall in house prices is expected to slow consumption. The RBNZ underestimated the strength of tradable inflation while China is no longer the deflationary force it once was."

Last night was all about the rumours ... with the Chinese National Team allegedly intervening in equity markets to support the Hang Seng after its 6% drop on Monday while rumours continue to circulate the BoJ intervened to support the JPY, which saw USD/JPY drop below the 148.00 level. This intervention provided a positive tone for equity markets while the USD weakness also provided support to the NZD and AUD

with both currencies rallying 1.2%. Bond yields eased with the yield on the T-bond down 12bps to 4.12% while the UK 10-year gilt fell for the second consecutive day to 3.63% as markets hoped new PM Sunak could offer more predictability and stability.

Key take-outs from the Australian budget

In complete contrast to the former UK administration's mini-budget, Australian Treasurer Jim Chalmers is attempting to walk a fine line between providing stimulatory spending while avoiding a further fuelling of inflationary pressures. This will ultimately see the budget deficit widen from 1.5% of GDP this fiscal year to 2% in 2024-25, despite the windfall gain from high commodity prices and the ultra-tight labour market. With the government putting more than 90% of its commodities windfall back into the budget, forecasts predict net debt will rise to 23% of GDP this fiscal year and climb to 28.5% by 2025-26. In amongst this, wage growth is forecast to accelerate to 3.75% this fiscal year and next and exceed inflation in 2024.

With the Australian average budget deficit forecast to hold above 3% of GDP through to 2026, and with government debt expected to hover around 77% in 2023, the overall increase in debt is not expected to impact Australia's AAA credit rating.



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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	68.80					CAD	0.7832	0.8700
NZD/USD	0.5751	0.0002	0.0005	0.0010	0.0001	CHF	0.5725	0.6360
NZD/AUD	0.9002	-0.0004	-0.0020	-0.0042	-0.0088	CNY	4.1908	4.6522
NZD/JPY	85.09	-0.26	-0.96	-2.01	-4.41	DKK	4.2958	4.7708
NZD/EUR	0.5774	-0.0011	-0.0039	-0.0073	-0.0151	FJD	1.3053	1.4496
NZD/GBP	0.5014	-0.0002	-0.0010	-0.0012	-0.0026	HKD	4.5145	5.0137
						KRW	820.20	910.91
AU TWI	60.80					MYR	2.7219	3.0230
AUD/USD	0.6813	0.0005	0.0020	0.0041	0.0059	NOK	5.9706	6.6309
AUD/NZD	0.6535	0.0004	0.0023	0.0042	0.0096	SEK	6.3137	7.0120
AUD/JPY	94.51	-0.25	-0.86	-1.81	-4.05	SGD	0.8148	0.9049
AUD/EUR	0.6411	-0.0010	-0.0030	-0.0053	-0.0109	TWD	18.55	20.60
AUD/GBP	0.5568	0.0000	0.0001	0.0011	0.0024	ZAR	10.47	11.63
USD Index	110.93					EQUITIES		
EUR/USD	0.9958	0.0022	0.0075	0.0142	0.0261		Index	
USD/JPY	147.97	-0.51	-1.80	-3.73	-7.67	NZX50	10,902	
GBP/USD	1.1466	0.0009	0.0031	0.0045	0.0048	ASX200	6,799	
EUR/GBP	0.8682	0.0012	0.0041	0.0086	0.0183	Dow Jones	31,785	
						S&P 500	3,854	
						FTSE100	7,013	
						DAX 30	13,053	
						Nikkei	27,250	
						COMMODITIES		
							USD	
						Brent Crude	93.06	
						Gold	1,653.99	
						Silver	19.37	
						Iron Ore	94.51	
						CRB Index	292.60	
							NZD	
						NZ Carbon	81.25	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	3.74%		2.85%
90 day bank bills	4.17%		3.08%
1 year swap	5.13%		3.83%
2 year swap	5.12%		4.06%
3 year swap	5.00%		4.09%
5 year swap	4.86%		4.24%
10 year swap	4.88%		4.55%
3 year Govt bond	4.60%		3.55%
5 year Govt bond	4.59%		3.76%
10 year Govt bond	4.67%		4.15%

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