

Market Alert

Friday 28 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5838	0.0010
NZD/AUD	0.9032	-0.0040
NZD/JPY	85.39	-1.92
NZD/EUR	0.5859	-0.0072
NZD/GBP	0.5046	-0.0014
NZD/CNH	4.2331	-0.0386
AUD/USD	0.6462	0.0039
AUD/EUR	0.6485	-0.0052
EUR/USD	0.9963	0.0139
USD/CNH	7.2504	-0.0787
GBP/USD	1.1567	0.0049
EUR/GBP	0.8613	0.0078

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.12%	3.10%
2 year swap	5.05%	3.92%
10 year Govt	4.39%	3.94%

The ECB delivers ... but not without a disagreement!

The ECB delivered its second consecutive jumbo 75bp rate hike lifting borrowing costs to their highest levels since early 2009, with refinancing now at 2%, the deposit facility at 1.5%, and marginal lending at 2.25%. While President Christine Lagarde insisted that “we have more ground to cover,” and that the ECB could still hike for “several meetings,” officials weren’t unanimous about the size of the rate hike with, allegedly, 3 policy makers wanting a smaller 50bps hike, while the member of the Governing Council also debated whether to acknowledge the “substantial progress” made towards its neutral rate. Traders

trimmed their tightening bets, pricing a peak in rates at 2.65%, down from 2.85% prior to the meeting. ECB officials also toughened the terms of TLTRO loans while a broad strategy for their QT was agreed.

US GDP reversed its 2 previous quarterly declines, rebounding strongly to record annualized growth of 2.6% in Q3, against expectations at 2.4%. The biggest positive contributor was net trade as imports fell and exports grew sharply, while there was a sharp rise in business investment. Consumer consumption grew at 1.4%, which was significantly lower than Q2’s 2.0%, while the price index collapsed from 9.0% to 4.1%. Finally, initial jobless claims edged up to 217k while durable goods orders rose 0.4% in September, slightly less than 0.6% expected.

In the UK, Accenture highlighted that over two-thirds of British adults are planning to cut back on festive spending due to the cost-of-living crisis, although the British media is reporting that PM Sunak believes the UK economic outlook isn’t as bad as initially feared as he considers dialling back tax hikes.

The Governor gave a speech yesterday! Bravo Mr. Orr, although it was light on detail stating, “New Zealand is well positioned, but inflation is still too high in an absolute sense. The Bank is firmly committed to meeting its inflation target.” But don’t worry New Zealand, there is always a politician who can fill the void, and yesterday it was the turn of deputy

PM Robertson who added, “The signs are continuing to show that inflationary pressures are easing. NZ is getting to grips with the tight labour market. The economic starting point for NZ is one of the best in the world with low public debt.”

And here’s something a little different, a tweet from the RBA, which announced, “High inflation is a problem for the economy and individuals. We need to keep adjusting then policy interest rate until we are confident inflation is under control.” In other Australian news, export prices fell -3.6% on the quarter from its prior +10.1%, while import prices increased 3.0% from 4.3%.

So, what does it all mean?

While European exchanges were little changed on the day, the US bourses were a mixed with the Nasdaq down more than 1.0% after Meta plunged after 3-investment banks downgraded it after disappointing earnings. Credit Suisse also plunged after tapping investors for a USD4.1 billion capital raise and announcing a slashing of 9,000 jobs. Bond markets continued their recovery, with the T-bond 6pips lower to 3.95%, while the USD-index staged a modest recovery.



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Daily Rates

Friday 28 October 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.50					CAD	0.7913	0.8762
NZD/USD	0.5838	0.0002	0.0007	0.0010	0.0003	CHF	0.5787	0.6407
NZD/AUD	0.9032	-0.0004	-0.0018	-0.0040	-0.0078	CNY	4.2335	4.6907
NZD/JPY	85.39	-0.25	-0.93	-1.92	-4.26	DKK	4.3589	4.8251
NZD/EUR	0.5859	-0.0010	-0.0037	-0.0072	-0.0155	FJD	1.3161	1.4567
NZD/GBP	0.5046	-0.0002	-0.0010	-0.0014	-0.0028	HKD	4.5824	5.0722
						KRW	827.94	916.43
AU TWI	61.80					MYR	2.7514	3.0455
AUD/USD	0.6813	0.0005	0.0020	0.0039	0.0056	NOK	5.9977	6.6388
AUD/NZD	0.6535	0.0004	0.0020	0.0045	0.0084	SEK	6.4002	7.0843
AUD/JPY	94.52	-0.24	-0.85	-1.73	-3.94	SGD	0.8225	0.9104
AUD/EUR	0.6485	-0.0009	-0.0029	-0.0052	-0.0123	TWD	18.71	20.71
AUD/GBP	0.5586	0.0000	0.0000	0.0008	0.0016	ZAR	10.48	11.60
USD Index	110.56					EQUITIES		
EUR/USD	0.9963	0.0021	0.0074	0.0139	0.0265		Index	
USD/JPY	146.26	-0.48	-1.75	-3.56	-7.46	NZX50	11,101	
GBP/USD	1.1567	0.0009	0.0031	0.0049	0.0058	ASX200	6,845	
EUR/GBP	0.8613	0.0011	0.0036	0.0078	0.0170	Dow Jones	32,139	
						S&P 500	3,817	
						FTSE100	7,074	
						DAX 30	13,211	
						Nikkei	27,345	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.78%		2.88%			
90 day bank bills			4.12%		3.10%			
1 year swap			5.00%		3.79%			
2 year swap			5.05%		3.92%			
3 year swap			4.94%		3.89%			
5 year swap			4.75%		4.03%			
10 year swap			4.67%		4.33%			
3 year Govt bond			4.43%		3.42%			
5 year Govt bond			4.38%		3.59%			
10 year Govt bond			4.39%		3.94%			
						COMMODITIES		
							USD	
						Brent Crude	97.01	
						Gold	1,659.27	
						Silver	19.47	
						Iron Ore	93.56	
						CRB Index	298.61	
							NZD	
						NZ Carbon	82.50	

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