

Market Alert

Tuesday 4 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5720	0.0008
NZD/AUD	0.8776	-0.0020
NZD/JPY	82.79	-1.80
NZD/EUR	0.5828	-0.0073
NZD/GBP	0.5055	-0.0001
NZD/CNH	4.0767	-0.0174
AUD/USD	0.6518	0.0024
AUD/EUR	0.6640	-0.0069
EUR/USD	0.9813	0.0138
USD/CNH	7.1034	-0.0392
GBP/USD	1.1313	0.0010
EUR/GBP	0.8673	0.0108

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.90%	3.11%
2 year swap	4.71%	3.90%
10 year Govt	4.37%	4.00%

What do you mean, “there’s a government that listens”?

And then changes their policies? Not true, I hear you say – but it is! The Liz Truss UK government capitulated to public demand. Or was that social media demand? Anyway, they backtracked on their decision to abolish the 45% tax rate, but the issue remains – with the other tax cuts in place, and the energy cap receiving public approval, the UK treasury still has to issue an enormous amount of new bonds to fund their deficit, which has seen Standard & Poor’s cutting its AA outlook rating on

British sovereign debt to ‘negative’ from ‘stable.’

And there was more of the ‘bad news is good news’ ideology as equity markets rallied after US ISM manufacturing PMIs unexpectedly fell to 50.9 in September, from August’s 52.8 and market forecasts of 52.2. New orders and employment declined while price pressures were their lowest since June 2020. This weakness contributed to a fall in the JPMorgan Global manufacturing PMI index to 49.8, from 50.3 in August, which helped to alleviate fears of a 75bps hike after the WSJ reported, “A string of troubling inflation reports in recent days is likely to lead Federal Reserve officials to consider surprising markets with a larger-than-expected 0.75% interest rate increase at their meeting this week.”

Rumours abound that OPEC+ will cut oil production by as much as one million barrels/day to stimulate the price, which worked with crude rallying 5.3%!

With USD/JPY trading just below 145.00, the Japanese finance minister Suzuki announced, “We are closely watching FX moves with a strong sense of urgency. We will respond appropriately against sharp FX moves” while, a BoJ official confirmed corporate firms’ CPI estimates for the next five years have hit 2.0% for the first time ever.

Ahead of today’s RBA meeting, and tomorrow’s RBNZ, the Melbourne Institute’s monthly inflation print reached

0.5% on the month, and 5.0% on the year, while the NZIER ‘Shadow Board’ suggests “the RBNZ should raise the OCR by another 50bps to 3.50% at the upcoming October meeting. Shadow Board members highlighted those domestic constraints, particularly labour, are keeping inflation high.” Which won’t help all those that borrowed, after the August NZ personal loan demand spiked in to hit a 10 month high at over NZD500 million in new lending.

Rumours around Credit Suisse continued after the CEO’s bid to reassure employees and investors backfired when their share-price fell 12% to a record low while the price of credit insurance exploded.

International bourses advanced, with the US markets having a particularly strong rally, after investors weighed the possibility of a peak in Treasury yields given the dip in US manufacturing PMIs.

This saw the US 10-year yield rally 18bps to 3.65% although there should be concerns after a report that the three core purchasers of US treasuries; commercial banks, foreign governments, and the Fed, appear to be cutting their holdings after estimates suggested commercial banks’ collective holdings fell USD60 billion, foreign government holdings eased USD50 billion, and the Fed’s holdings dropped by USD180 billion! The USD also had a weaker session, with the NZD, AUD and GBP making nice gains, although the EUR struggled.



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Daily Rates

Tuesday 4 October 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.10					CAD	0.7799	0.8887
NZD/USD	0.5720	0.0000	0.0003	0.0008	-0.0002	CHF	0.5681	0.6474
NZD/AUD	0.8776	-0.0003	-0.0011	-0.0020	-0.0039	CNY	4.0682	4.6330
NZD/JPY	82.79	-0.26	-0.88	-1.80	-3.87	DKK	4.3341	4.9388
NZD/EUR	0.5828	-0.0013	-0.0042	-0.0073	-0.0139	FJD	1.2927	1.4730
NZD/GBP	0.5055	-0.0003	-0.0008	-0.0001	0.0015	HKD	4.4901	5.1166
						KRW	820.20	934.62
AU TWI	61.50					MYR	2.6575	3.0283
AUD/USD	0.6813	0.0002	0.0012	0.0024	0.0024	NOK	6.1020	6.9533
AUD/NZD	0.6535	0.0002	0.0012	0.0023	0.0039	SEK	6.3039	7.1834
AUD/JPY	94.32	-0.26	-0.89	-1.83	-4.05	SGD	0.8184	0.9325
AUD/EUR	0.6640	-0.0013	-0.0040	-0.0069	-0.0131	TWD	18.19	20.72
AUD/GBP	0.5760	-0.0002	-0.0003	0.0012	0.0044	ZAR	10.20	11.63
USD Index	111.71					EQUITIES		
EUR/USD	0.9813	0.0022	0.0076	0.0138	0.0238		Index	
USD/JPY	144.68	-0.46	-1.62	-3.34	-6.87	NZX50	10,959	
GBP/USD	1.1313	0.0008	0.0021	0.0010	-0.0036	ASX200	6,457	
EUR/GBP	0.8673	0.0013	0.0048	0.0108	0.0235	Dow Jones	29,595	
						S&P 500	3,688	
						FTSE100	6,909	
						DAX 30	12,209	
						Nikkei	26,216	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.54%		2.76%			
90 day bank bills			3.90%		3.11%			
1 year swap			4.63%		3.84%			
2 year swap			4.71%		3.90%			
3 year swap			4.64%		3.95%			
5 year swap			4.52%		3.94%			
10 year swap			4.49%		4.16%			
3 year Govt bond			4.25%		3.60%			
5 year Govt bond			4.26%		3.75%			
10 year Govt bond			4.37%		4.00%			
						COMMODITIES		
							USD	
						Brent Crude	88.96	
						Gold	1,697.05	
						Silver	20.64	
						Iron Ore	95.30	
						CRB Index	288.12	
							NZD	
						NZ Carbon	78.00	

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