

Market Alert

Friday 7 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5647	0.0010
NZD/AUD	0.8817	-0.0033
NZD/JPY	81.93	-1.77
NZD/EUR	0.5764	-0.0068
NZD/GBP	0.5062	0.0004
NZD/CNH	3.9998	-0.0188
AUD/USD	0.6404	0.0035
AUD/EUR	0.6535	-0.0055
EUR/USD	0.9795	0.0133
USD/CNH	7.0828	-0.0472
GBP/USD	1.1151	0.0007
EUR/GBP	0.8784	0.0110

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	3.88%	2.92%
2 year swap	4.61%	3.79%
10 year Govt	4.25%	3.87%

Bad news is good news? Baloney!

In amongst all this talk of 'bad news being good,' well, that idea was smashed out of the ballpark last night! It has taken a long time for the Fed to get its messaging through to the financial markets, and now that the penny has dropped, they're not going to change their messaging anytime soon!

This saw several Fed policymakers reaffirm the central bank's commitment to taming inflation, with Raphael Bostic announcing "the fight against inflation is still in its early days. We want rates at

a 'moderately restrictive' level from 4.0%-4.5%, and to then hold to assess the impact." Charles Evans then added, "inflation is high. We should have started the rate hikes earlier. We have further to go on rate hikes. We must look at them momentum of core inflation, and that's what has us most nervous." Lisa Cook added, "the Fed will learn the path/peak of the funds rate as it sees the economy evolve. Front loading the rate hikes is required to short circuit the inflationary psychology. We need to keep policy restrictive until we are confident inflation is firmly on path to 2.0%"

Septembers ECB minutes unsurprisingly highlighted that policymakers remain concerned about surging prices with inflation likely to stay above the central bank's target for an extended period. There was the added caveat that growth concerns shouldn't prevent further increases in interest rates while the response to upside deviations in the ECB's CPI target should be 'forceful.' Finally, the lower EUR provided limited support amid global supply bottlenecks and shortages.

German factory orders decreased 2.4%, US-based companies announced plans to cut 29,989 jobs in September, while initial claims rose by 29,000 to 219,000. Yesterday, the NZ commodity price index fell 0.5% to continue its downward trend since April, but, in local currency terms, the index appreciated 3.3% as the NZD depreciated by 2.5% against

the TWI. The Australian August trade balance produced yet another surplus, but this time it was 'only' AUD8.324 billion against forecasts of AUD10.0bn. Australian construction PMIs also eased in September, falling to 46.5 from 47.9.

Fitch has slashed its outlook for the Bank of England lowering their long-term foreign-currency (LTFC) issuer default rating (IDR) to negative from stable as the new UK gov't's growth plan could lead to significant increase in medium term fiscal deficits. Fitch is also forecasting UK inflation to average 8.9% in 2022, before gradually declining to 4% in 2024.

Ahead of tonight's non-farm payrolls release, equities continued to ease back from their recent rally with most exchanges 0.75% - 1.25% lower. Commodities also tread water, although oil rallied another percent, while the T-bond firmed 6bps to 3.815%. The USD index also continued its rebound from its first support level, which saw the NZD and AUD come under renewed selling pressure.

Goldman Sachs chief equity strategist sees, in the case of a soft landing, the S&P 500 falling to 3,600 by year-end 2022 with a bounce to the 4,000 level for the end of 2023 but, should the Fed generate a hard landing, he's expecting the S&P will fall to 3,150 by mid-year 2023, and then recover to 3,750 by year-end 2023.



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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	68.40					CAD	0.7766	0.8809
NZD/USD	0.5647	0.0001	0.0005	0.0010	0.0009	CHF	0.5593	0.6343
NZD/AUD	0.8817	-0.0004	-0.0017	-0.0033	-0.0057	CNY	4.0383	4.5761
NZD/JPY	81.93	-0.27	-0.86	-1.77	-3.79	DKK	4.2876	4.8621
NZD/EUR	0.5764	-0.0013	-0.0040	-0.0068	-0.0126	FJD	1.2855	1.4578
NZD/GBP	0.5062	-0.0003	-0.0005	0.0004	0.0029	HKD	4.4328	5.0270
						KRW	795.36	901.98
AU TWI	61.60					MYR	2.6174	2.9683
AUD/USD	0.6813	0.0004	0.0017	0.0035	0.0050	NOK	6.0461	6.8566
AUD/NZD	0.6535	0.0005	0.0019	0.0036	0.0057	SEK	6.2940	7.1378
AUD/JPY	92.91	-0.26	-0.81	-1.67	-3.72	SGD	0.8069	0.9151
AUD/EUR	0.6535	-0.0011	-0.0033	-0.0055	-0.0103	TWD	17.81	20.20
AUD/GBP	0.5741	-0.0001	0.0005	0.0025	0.0069	ZAR	10.15	11.52
USD Index	112.11					EQUITIES		
EUR/USD	0.9795	0.0023	0.0073	0.0133	0.0232		Index	
USD/JPY	145.04	-0.49	-1.64	-3.43	-7.07	NZX50	11,125	
GBP/USD	1.1151	0.0007	0.0018	0.0007	-0.0050	ASX200	6,818	
EUR/GBP	0.8784	0.0014	0.0049	0.0110	0.0243	Dow Jones	29,873	
						S&P 500	3,758	
						FTSE100	6,997	
						DAX 30	12,471	
						Nikkei	27,311	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.57%		2.69%			
90 day bank bills			3.88%		2.92%			
1 year swap			4.58%		3.56%			
2 year swap			4.61%		3.79%			
3 year swap			4.50%		3.82%			
5 year swap			4.35%		3.92%			
10 year swap			4.33%		4.18%			
3 year Govt bond			4.11%		3.38%			
5 year Govt bond			4.12%		3.57%			
10 year Govt bond			4.25%		3.87%			
						COMMODITIES		
							USD	
						Brent Crude	94.51	
						Gold	1,712.02	
						Silver	20.62	
						Iron Ore	95.26	
						CRB Index	302.86	
							NZD	
						NZ Carbon	82.50	

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