

Market Alert

Tuesday 1 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5807	0.0013
NZD/AUD	0.9085	-0.0038
NZD/JPY	86.32	-1.98
NZD/EUR	0.5877	-0.0070
NZD/GBP	0.5062	-0.0015
NZD/CNH	4.2618	-0.0427
AUD/USD	0.6391	0.0042
AUD/EUR	0.6466	-0.0049
EUR/USD	0.9880	0.0138
USD/CNH	7.3377	-0.0908
GBP/USD	1.1471	0.0054
EUR/GBP	0.8615	0.0075

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.13%	3.14%
2 year swap	5.01%	4.02%
10 year Govt	4.24%	3.84%

Pinch, punch, it's the first of the month!

Welcome to the first Tuesday of November, the day that stops two countries with the running of the Melbourne Cup, but also the day the RBA gets hacked off and tries to make everyone work as it delivers its central bank meeting. What a bunch of spoil sports!

Anyway, to the important stuff, I'm backing Lunar Flare and Daqiansweet Junior ... one of these days one of my long shots will come in to help me break even! In terms of the other event of the day, I'm backing Mr. Lowe to run with the majority after 28 of 32 analysts backed the RBA to hike its cash rate by 'just' 25bps to 2.85%,

with the balance calling for 50bps. But against this, Australian price pressures remain rampant after the Melbourne Institute inflation gauge printed at 0.4% on the month and 5.2% on the year, from 0.50% and 5.0%, while the 'trimmed mean' was at 0.3% and 4.9%, down from last months 5.4%. Retail sales also rose 0.6% month on month in September.

Euro-area inflation accelerated in October to a whopping 10.7%, from 9.9%, as energy prices continued to impact - increasing 41.9%! Month-on-month prices rose 1.5%, while the core was also elevated at 5.0%. Against this, European GDP growth slowed to 0.2% in Q3, falling from Q2's 0.8% as energy costs restricted economic activity. Year-on-year, growth plummeted to 2.1%, from 4.1%. ECB board member Ignazio Visco then warned, "*the economic outlook has darkened significantly. We are now confronting higher and more persistent inflation. Recession risks are spreading. It's crucial central banks fulfil their Price Stability Mandates.*"

Fed insider Nick Timiraos wrote in the WSJ that "*Some Fed officials have argued for slowing the pace of rate rises. But the debate over the speed of increases could obscure a more important one around how high rates will ultimately rise. Some economists think it will have to go higher than 4.6%.*"

In amongst fresh Covid outbreaks at a Foxconn factory in China, which has 200,000 workers at its Zhengzhou

complex, Chinese PMIs retreated into contractionary territory with manufacturing printing at 49.2 against the 50.0 expected, non-manufacturing falling to 48.7 from 50.6, while the composite printed at 49.0 from the prior 50.9. PBOC Governor Yi Gang vowed to keep the yuan "*stable for as long as possible*" and said monetary policy will stay "*normal*" for the foreseeable future.

Just another election play?

With the US mid-terms next week, President Joe Biden is due to speak about the oil companies later today, with reports suggesting he will float the idea of a windfall tax on energy. And new UK PM Rishi Sunak is said to be pursuing plans to give ministers the power to overrule financial regulators in matters of "*significant public interest.*"

US equities have been trading in 'red' territory while European bourses closed flat. Once again, the US-dollar advanced, which saw the US 10-year yield rise 7bps to 4.08% ahead of this weeks Fed decision. Oil, gold and Bitcoin all fell, although wheat jumped 6% after Russia withdrew from the Black Sea grain deal. The NZD/USD and AUD/USD traded flat.

Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.70					CAD	0.7917	0.8715
NZD/USD	0.5807	0.0003	0.0008	0.0013	0.0011	CHF	0.5815	0.6401
NZD/AUD	0.9085	-0.0004	-0.0017	-0.0038	-0.0078	CNY	4.2168	4.6517
NZD/JPY	86.32	-0.25	-0.94	-1.98	-4.25	DKK	4.3749	4.8157
NZD/EUR	0.5877	-0.0010	-0.0037	-0.0070	-0.0139	FJD	1.3192	1.4518
NZD/GBP	0.5062	-0.0002	-0.0009	-0.0015	-0.0024	HKD	4.5581	5.0166
						KRW	828.64	911.98
AU TWI	61.30					MYR	2.7444	3.0204
AUD/USD	0.6813	0.0005	0.0020	0.0042	0.0062	NOK	6.0336	6.6415
AUD/NZD	0.6535	0.0003	0.0018	0.0042	0.0075	SEK	6.4121	7.0580
AUD/JPY	95.00	-0.24	-0.86	-1.79	-3.98	SGD	0.8219	0.9045
AUD/EUR	0.6466	-0.0008	-0.0029	-0.0049	-0.0103	TWD	18.73	20.62
AUD/GBP	0.5571	0.0000	0.0000	0.0007	0.0016	ZAR	10.66	11.74
USD Index	111.56					EQUITIES		
EUR/USD	0.9880	0.0021	0.0075	0.0138	0.0256		Index	
USD/JPY	148.61	-0.49	-1.81	-3.73	-7.83	NZX50	11,338	
GBP/USD	1.1471	0.0009	0.0035	0.0054	0.0079	ASX200	6,864	
EUR/GBP	0.8615	0.0011	0.0038	0.0075	0.0161	Dow Jones	32,804	
						S&P 500	3,885	
INTEREST RATES		New Zealand		Australia		FTSE100	7,095	
		Mid		Mid		DAX 30	13,254	
30 day bank bills		3.82%		2.92%		Nikkei	27,587	
90 day bank bills		4.13%		3.14%		COMMODITIES		
1 year swap		4.97%		3.83%			USD	
2 year swap		5.01%		4.02%		Brent Crude	94.85	
3 year swap		4.89%		3.94%		Gold	1,635.29	
5 year swap		4.68%		4.09%		Silver	19.18	
10 year swap		4.59%		4.40%		Iron Ore	93.01	
3 year Govt bond		4.34%		3.32%		CRB Index	293.59	
5 year Govt bond		4.26%		3.49%			NZD	
10 year Govt bond		4.24%		3.84%		NZ Carbon	85.00	

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