

Market Alert

Thursday 10 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5878	0.0012
NZD/AUD	0.9168	-0.0050
NZD/JPY	86.11	-2.05
NZD/EUR	0.5873	-0.0071
NZD/GBP	0.5181	-0.0019
NZD/CNH	4.2749	-0.0512
AUD/USD	0.6428	0.0048
AUD/EUR	0.6420	-0.0044
EUR/USD	1.0009	0.0141
USD/CNH	7.2716	-0.1017
GBP/USD	1.1344	0.0061
EUR/GBP	0.8824	0.0074

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.24%	3.11%
2 year swap	5.26%	3.96%
10 year Govt	4.64%	3.98%

The Republican 'red wave' fizzles

That's how the Republicans performance has been summed up from the midterms. At this stage it appears the Republicans are poised to secure a narrow majority in the House, but the Senate is still too close to call and may come down to a runoff in Georgia on December 6th.

US inventories grew for the 26th consecutive month, rising 0.6% to USD 918.5bn but, according to Fed member John Williams, "longer-run inflation expectations have remained remarkably stable. Inflation uncertainty has increased, but this does not appear to be due to unmoored longer-run expectations. The

one surprise is the increasing divergence in views about future inflation, including the high share of those expecting deflation". William's Fed colleague Thomas Barkin then added, "Inflation fight 'may lead' to a downturn but that is a risk the Fed will have to take" while former BoE and BoC governor Mark Carney stressed, "The US economy still has considerable momentum, and the associated inflation pressures will require more aggressive tightening by the Fed."

Further dire economic warnings came from FedEx, who said "we projected to have lower volume in our fiscal first and second quarter already. It just came in lower than our initial projections were." The economic bellwether said it was cutting back on headcount and deferring a number of projects, while, in a sign to the tech sector, Meta will cut more than 11,000 jobs, about 13% of the workforce.

Chinese CPI surprised to the downside yesterday, coming in at 'just' 2.1% from a year earlier, against expectations for 2.4% and well down on September's 2.8%. Core CPI is a meagre 0.6% for the year. Factory inflation, or PPI, fell -1.3% in October, down from +0.9% in September and the first time in two years the gauge has gone negative. Meanwhile, China has lifted some restrictions around the Foxconn plant after Apple complained they were hurting iPhone production.

Deutsche Bank expect the UK to escape a recession in 2022 "by the smallest of margins" but, in 2023 "Headwinds to the UK economy will almost inevitably push the

economy into recession."

Meanwhile, the forecast for New Zealand isn't bright either with one of the local banks announcing, "If the labour market doesn't show signs of loosening soon, the OCR will very likely need to go higher than the 5% peak we've pencilled in. While our forecast is that a 5% OCR will get the job done, the potential for ongoing positive inflation surprises shouldn't be discounted."

Michelle makes her mark!

The RBA's Michelle Bullock announced, "We would raise rates faster if we thought inflation was not coming down as expected. Australian rate hikes and escalating inflation pressures will help bring demand back in line with supply."

Following yesterday's 'a split congress and senate is good for markets' rhetoric, today's reality saw a return to a risk off trading environment. This saw international equity markets turn red, with US bourses hit particularly hard, while commodity prices also came under selling pressure with crude oil off 3.0%. Bond markets were relatively stable with the T-bond 3bps higher at 4.16%, although Australian yields collapsed with the 10-year down 19bps to yield 3.87%, presumably on Michele Bullock's comments, which contributed to the AUD and NZD weakness with both giving up yesterday's gains ... and then some.



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Daily Rates

Thursday 10 November 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.90					CAD	0.7941	0.8684
NZD/USD	0.5878	0.0002	0.0009	0.0012	0.0005	CHF	0.5793	0.6338
NZD/AUD	0.9168	-0.0005	-0.0021	-0.0050	-0.0102	CNY	4.2767	4.6802
NZD/JPY	86.11	-0.27	-0.96	-2.05	-4.49	DKK	4.3674	4.7761
NZD/EUR	0.5873	-0.0011	-0.0036	-0.0071	-0.0147	FJD	1.3248	1.4487
NZD/GBP	0.5181	-0.0003	-0.0009	-0.0019	-0.0041	HKD	4.6141	5.0458
						KRW	804.47	879.74
AU TWI	61.60					MYR	2.7556	3.0134
AUD/USD	0.6813	0.0006	0.0025	0.0048	0.0077	NOK	6.1031	6.6741
AUD/NZD	0.6535	0.0005	0.0024	0.0055	0.0106	SEK	6.3990	6.9978
AUD/JPY	94.15	-0.24	-0.85	-1.77	-3.98	SGD	0.8246	0.9018
AUD/EUR	0.6420	-0.0008	-0.0025	-0.0044	-0.0092	TWD	18.73	20.48
AUD/GBP	0.5666	0.0000	0.0003	0.0009	0.0017	ZAR	10.45	11.43
USD Index	110.34					EQUITIES		
EUR/USD	1.0009	0.0021	0.0075	0.0141	0.0261		Index	
USD/JPY	146.43	-0.50	-1.86	-3.79	-7.94	NZX50	11,143	
GBP/USD	1.1344	0.0009	0.0037	0.0061	0.0101	ASX200	6,999	
EUR/GBP	0.8824	0.0011	0.0037	0.0074	0.0151	Dow Jones	32,714	
						S&P 500	3,788	
						FTSE100	7,296	
						DAX 30	13,666	
						Nikkei	27,716	
						COMMODITIES		
							USD	
						Brent Crude	93.02	
						Gold	1,707.87	
						Silver	21.19	
						Iron Ore	85.33	
						CRB Index	306.27	
							NZD	
						NZ Carbon	88.20	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	4.02%		2.90%
90 day bank bills	4.24%		3.11%
1 year swap	5.23%		3.74%
2 year swap	5.26%		3.96%
3 year swap	5.14%		3.97%
5 year swap	4.92%		4.04%
10 year swap	4.82%		4.37%
3 year Govt bond	4.69%		3.45%
5 year Govt bond	4.61%		3.63%
10 year Govt bond	4.64%		3.98%

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