

Market Alert

Friday 11 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5984	0.0012
NZD/AUD	0.9168	-0.0046
NZD/JPY	85.12	-1.97
NZD/EUR	0.5900	-0.0069
NZD/GBP	0.5138	-0.0016
NZD/CNH	4.2505	-0.0464
AUD/USD	0.6564	0.0047
AUD/EUR	0.6468	-0.0043
EUR/USD	1.0145	0.0137
USD/CNH	7.1834	-0.0922
GBP/USD	1.1647	0.0059
EUR/GBP	0.8708	0.0071

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.22%	3.10%
2 year swap	5.14%	3.72%
10 year Govt	4.47%	3.84%

The US Corner

US inflation slowed more than expected in October, fuelling hopes that the peak in inflation has passed. An increase in the number of Americans filing new claims for unemployment also buoyed markets and reinforced expectations that the Fed may slow the pace of rate hikes and perhaps bring the hiking cycle to an earlier conclusion.

US consumer price inflation came in at 0.4% in October and 7.7% on-the-year against expectations of 0.6% and 7.9%. The headline print was down from September's 8.2%, its fourth consecutive contraction, and its lowest print since January as prices of energy and food

prices increased at a slower pace. The core index, which excludes food and energy, rose 'just' 0.3% and 6.3%, down from September's 40-year high of 6.6%.

There was also further evidence that the Fed's actions may be starting to impact the US economy after initial jobless claims rose by 7,000 to 225,000, the highest increase in 4-weeks and surpassing expectations of 220,000.

The data justifies market expectations of a Fed pivot which was further evidenced when Dallas Fed Governor Lorie Logan announced it may soon be appropriate to slow hikes. Patrick Harker echoed the sentiment, although both reiterated the Fed still has some way to go to tame inflation even as it slows the pace of hikes, with Harker adding that a hike of 50bps "would still be significant."

The data generated a massive repricing of short rates as traders adjusted positioning to reflect a smaller move next month, a lower peak to the cycle, and rate cuts in 2023. The US 2-year treasury yield plummeted 32bps to 4.33% while the 10-year yield fell 24bps to 3.85%. Equity markets are headed for their best post-inflation day rally in more than a decade, with more than 90% of stocks in the S&P500 higher on the day. The potential Fed pivot also saw the US-dollar index fall 2.0% to its lowest level in 8 weeks, which saw NZD/USD surge to 0.6000 and AUD/USD trade at 0.6575. Expect NZ and Australian swaps to open lower this morning.

In other US headlines, Joe Biden said he still plans to seek re-election in 2024, but he'll make an official call early next year. The president also said he's optimistic the US isn't near a recession although his administration's efforts to slow inflation would require more time to take effect.

But in the rest of the world

ECB member Edward Scicluna also joined the 'pivot party' announcing peak inflation "is almost within reach," although a lot of uncertainties remain and requires that the central bank remains data dependent.

China's credit de-acceleration continued after Chinese banks extended just CNY0.62 trillion in new loans in October, down from September's CNY2.47 trillion, while Australian consumer inflation expectations increased to 6.0% from 5.4%.

Prior to the CPI release, and with terrible timing, BlackRock announced they are underweight equities, believing valuations have not fallen enough stating, "We are underweight US equities. The Fed intends to raise rates into restrictive territory. The year-to-date selloff partly reflects this, yet valuations have not come down enough to reflect weaker earnings prospects. We are underweight European equities as the fresh energy price shock in the aftermath of the tragic war in Ukraine puts the region at risk of stagflation."



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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	70.30					CAD	0.8012	0.8786
NZD/USD	0.5984	0.0002	0.0010	0.0012	0.0000	CHF	0.5801	0.6363
NZD/AUD	0.9168	-0.0005	-0.0020	-0.0046	-0.0103	CNY	4.3086	4.7251
NZD/JPY	85.12	-0.26	-0.93	-1.97	-4.26	DKK	4.3880	4.8122
NZD/EUR	0.5900	-0.0010	-0.0034	-0.0069	-0.0143	FJD	1.3341	1.4629
NZD/GBP	0.5138	-0.0002	-0.0008	-0.0016	-0.0037	HKD	4.6964	5.1499
						KRW	809.79	887.98
AU TWI	61.00					MYR	2.8122	3.0838
AUD/USD	0.6813	0.0006	0.0024	0.0047	0.0078	NOK	6.0726	6.6592
AUD/NZD	0.6535	0.0005	0.0023	0.0052	0.0115	SEK	6.3850	7.0016
AUD/JPY	93.36	-0.24	-0.81	-1.71	-3.67	SGD	0.8300	0.9102
AUD/EUR	0.6468	-0.0008	-0.0023	-0.0043	-0.0085	TWD	18.87	20.70
AUD/GBP	0.5634	0.0000	0.0004	0.0011	0.0023	ZAR	10.44	11.44
USD Index	108.54					EQUITIES		
EUR/USD	1.0145	0.0021	0.0075	0.0137	0.0248		Index	
USD/JPY	142.18	-0.48	-1.77	-3.60	-7.32	NZX50	11,092	
GBP/USD	1.1647	0.0009	0.0036	0.0059	0.0088	ASX200	6,964	
EUR/GBP	0.8708	0.0011	0.0036	0.0071	0.0147	Dow Jones	33,399	
						S&P 500	3,911	
						FTSE100	7,375	
						DAX 30	14,146	
						Nikkei	27,446	
						COMMODITIES		
							USD	
						Brent Crude	93.91	
						Gold	1,750.61	
						Silver	21.60	
						Iron Ore	87.51	
						CRB Index	301.71	
							NZD	
						NZ Carbon	88.20	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	4.03%		2.92%
90 day bank bills	4.22%		3.10%
1 year swap	5.14%		3.58%
2 year swap	5.14%		3.72%
3 year swap	5.02%		3.75%
5 year swap	4.80%		3.94%
10 year swap	4.71%		4.27%
3 year Govt bond	4.52%		3.30%
5 year Govt bond	4.45%		3.47%
10 year Govt bond	4.47%		3.84%

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