

Market Alert

Tuesday 15 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6115	0.0014
NZD/AUD	0.9101	-0.0045
NZD/JPY	85.56	-1.96
NZD/EUR	0.5907	-0.0066
NZD/GBP	0.5180	-0.0015
NZD/CNH	4.3121	-0.0419
AUD/USD	0.6719	0.0047
AUD/EUR	0.6489	-0.0043
EUR/USD	1.0351	0.0139
USD/CNH	7.0501	-0.0848
GBP/USD	1.1801	0.0054
EUR/GBP	0.8770	0.0071

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.18%	3.08%
2 year swap	4.94%	3.82%
10 year Govt	4.34%	3.85%

The IMF has written a prepared piece for this week's G20 ...

... "confirming that the outlook is gloomier," particularly in Europe. According to the IMF, recent PMI data releases signal weakness in most G20 economies, with economic activity set to contract while inflation remains stubbornly high due to, "tightening monetary policy, persistently high and broad-based inflation, weak growth momentum in China, and ongoing supply disruptions and food insecurity caused by Russia's invasion of Ukraine."

US consumer inflation expectations for the year ahead jumped to 5.9% in October

from 5.4% in September after gas prices rose by 4.3%, the most on record, with consumers also expecting food and rent prices to rise faster. Euro-area industrial output rose 0.9% in the month to September, faster than consensus but significantly below August's revised 2.0% growth. Year-on-year factory output jumped 4.9% after the prior month's revised 2.8%.

Fed member Christopher Waller has attempted to push back against the recent positive US CPI report, stating it's "just one data point" and that markets are "way out in front. We will need to see a run of CPI reports to take a foot off the brake." But against this, Fed Vice Chair, Lael Brainard, announced the central bank should probably reduce the size of its interest rate increases, stating, "It will probably be appropriate soon to move to a slower pace of increases, but I think what's really important to emphasize, we've done a lot, but we have additional work to do."

Against this, the ECB's De Guindos was content to continue talking tough, announcing "This week's financial stability review will highlight increased risks. Monetary policy must focus on reducing support for demand. As of now, inflation expectations have not changed, the ECB will raise interest rates again. Fiscal support measures must be targeted and temporary."

President Xi's attention has definitely moved back to supporting the Chinese economy after the PBoC unveiled a sweeping rescue package in an attempt

to bail out the local real estate market. It has announced 16 measures that range from addressing the liquidity crisis faced by developers, to loosening down-payment requirements for homebuyers, which has seen on-shore property stocks surge 15%. This follows on from the weekends 20-point plan to ease Covid-restrictions.

Financial markets started the week relatively quietly after last week's gyrations. Equity markets were mildly positive, as were commodity markets, although it should be mentioned that crude oil was 3.3% lower at USD86.00. Bond markets saw yields firm a touch, with the Australian 10-year yield the big mover, up 8bps to 3.85%, while the US 10-year Treasury yield was 5bps higher at 3.87%. The NZD/USD and AUD/USD consolidated after last week's rally.

The great inflation debate!

Morgan Stanley have lowered their US inflation outlook, stating that while "US CPI is currently 7.7%YoY, we forecast it to be under 2.0%YoY by the end of next year" adding, "we think that the Fed pauses after a January rate hike at 4.625%" while the "ECB pauses in March at 2.50%" Meanwhile, Goldman Sachs are expecting a 'significant' fall in inflation in 2023, projecting core PCE will fall from 5.1% "to 2.9% by December 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	71.30					CAD	0.8124	0.8928
NZD/USD	0.6115	0.0002	0.0010	0.0014	0.0019	CHF	0.5753	0.6322
NZD/AUD	0.9101	-0.0005	-0.0018	-0.0045	-0.0087	CNY	4.3073	4.7399
NZD/JPY	85.56	-0.26	-0.94	-1.96	-4.20	DKK	4.3931	4.8270
NZD/EUR	0.5907	-0.0011	-0.0034	-0.0066	-0.0132	FJD	1.3454	1.4783
NZD/GBP	0.5180	-0.0002	-0.0008	-0.0015	-0.0031	HKD	4.7917	5.2650
						KRW	809.41	889.35
AU TWI	61.80					MYR	2.8083	3.0857
AUD/USD	0.6813	0.0006	0.0024	0.0047	0.0076	NOK	6.1078	6.7105
AUD/NZD	0.6535	0.0005	0.0020	0.0048	0.0094	SEK	6.3899	7.0210
AUD/JPY	94.00	-0.25	-0.85	-1.72	-3.77	SGD	0.8382	0.9210
AUD/EUR	0.6489	-0.0008	-0.0025	-0.0043	-0.0085	TWD	18.92	20.79
AUD/GBP	0.5692	0.0000	0.0003	0.0010	0.0020	ZAR	10.56	11.61
USD Index	106.67					EQUITIES		
EUR/USD	1.0351	0.0021	0.0077	0.0139	0.0253		Index	
USD/JPY	139.89	-0.48	-1.77	-3.54	-7.24	NZX50	11,232	
GBP/USD	1.1801	0.0009	0.0035	0.0054	0.0091	ASX200	7,146	
EUR/GBP	0.8770	0.0011	0.0036	0.0071	0.0141	Dow Jones	33,945	
						S&P 500	4,008	
						FTSE100	7,385	
						DAX 30	14,313	
						Nikkei	27,963	
						COMMODITIES		
							USD	
						Brent Crude	93.48	
						Gold	1,772.70	
						Silver	22.04	
						Iron Ore	90.79	
						CRB Index	308.26	
							NZD	
						NZ Carbon	88.50	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	4.05%		2.92%
90 day bank bills	4.18%		3.08%
1 year swap	4.97%		3.64%
2 year swap	4.94%		3.82%
3 year swap	4.78%		3.85%
5 year swap	4.60%		3.89%
10 year swap	4.59%		4.26%
3 year Govt bond	4.35%		3.28%
5 year Govt bond	4.29%		3.46%
10 year Govt bond	4.34%		3.85%

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