

Market Alert

Thursday 3 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5880	0.0013
NZD/AUD	0.9144	-0.0046
NZD/JPY	86.27	-2.03
NZD/EUR	0.5935	-0.0072
NZD/GBP	0.5113	-0.0017
NZD/CNH	4.2863	-0.0452
AUD/USD	0.6427	0.0044
AUD/EUR	0.6483	-0.0049
EUR/USD	0.9909	0.0139
USD/CNH	7.2877	-0.0922
GBP/USD	1.1497	0.0059
EUR/GBP	0.8618	0.0073

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.19%	3.10%
2 year swap	5.13%	4.07%
10 year Govt	4.51%	3.92%

This Fed is sticking to its guns ... but then again ...

The Federal Reserve raised its key benchmark interest rate for its fourth consecutive 75bps hike to the 3.75%-4.00% range, as expected.

There were two new sentences in the statement that offered hope for all, with the USD bulls aligning themselves to the line, "The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2.0% over time." while the USD bears will take comfort from, "In determining the pace of future increases in the target range, the Committee will take

into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments."

In the Q&A Mr. Powell emphasised, "US economy has slowed significantly from last year. Recent data indicates modest growth this quarter. Activity in housing has weakened. Jobs market is still extremely tight. Incoming data suggests the ultimate level of rates will be higher than previously anticipated. The ultimate top in rates is very uncertain. Likely we'll have a discussion of a smaller hike in December."

Initially the USD bears won-out post the announcement as equities rallied and the USD-index fell a percent. This saw NZD/USD surge to 0.5945 while AUD/USD reached 0.6493, although the USD bulls took the initiative during the Q&A which saw the NZD and AUD give up their gains. The US 10-year yield initially fell to 4.00%, but increased to 4.06% during the Q&A.

Hiring by private US businesses reached its highest level in 3-months, unexpectedly creating 239k jobs in October against expectations of a 195k increase.

The rhetoric from the ECB is starting to sound familiar after Joachim Nagel announced, "There is still a long way to go on rate hikes. Inflation is persistent and the ECB must be more stubborn than stubborn inflation" while, Pablo De Cos added, "Progress on unwinding monetary accommodation significant; have yet to reach the end of rate increases. Bond portfolio reduction should begin at the beginning of next year."

October Australian manufacturing PMIs fell into contractionary territory at 49.6 from 50.2

Yesterday the RBNZ acknowledged the challenges ahead announcing, "Some households and firms will be challenged by the rising interest rate environment. Increasing household debt loads will slow down growth of consumption. There are increased downside risks to the global economic outlook. The extent to which economic activity will slow in response to rising rates is uncertain." But as we all know, the quickest way to slow inflation is to increase unemployment, although the Q2 release saw the unemployment rate remain at 3.3%. Employment also rose 1.3% from Q2 as the participation rate increased to 71.7%, and wages increased at their highest rate since the series began accelerating 3.8%! We then had RBNZ Deputy Governor Hawkesby add, "We will consider tightening policy faster, and slower, at the next policy meeting (although the balance of risks for the global economy is to the downside.)"



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Daily Rates

Thursday 3 November 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.20					CAD	0.8003	0.8743
NZD/USD	0.5880	0.0003	0.0009	0.0013	0.0013	CHF	0.5860	0.6406
NZD/AUD	0.9144	-0.0005	-0.0021	-0.0046	-0.0085	CNY	4.2712	4.6673
NZD/JPY	86.27	-0.26	-0.97	-2.03	-4.36	DKK	4.4145	4.8259
NZD/EUR	0.5935	-0.0010	-0.0038	-0.0072	-0.0145	FJD	1.3264	1.4500
NZD/GBP	0.5113	-0.0002	-0.0011	-0.0017	-0.0034	HKD	4.6157	5.0459
						KRW	828.87	906.27
AU TWI	61.30					MYR	2.7848	3.0438
AUD/USD	0.6813	0.0006	0.0024	0.0044	0.0068	NOK	6.0768	6.6452
AUD/NZD	0.6535	0.0005	0.0024	0.0049	0.0086	SEK	6.4587	7.0606
AUD/JPY	94.30	-0.23	-0.84	-1.77	-3.98	SGD	0.8292	0.9063
AUD/EUR	0.6483	-0.0008	-0.0026	-0.0049	-0.0108	TWD	18.90	20.66
AUD/GBP	0.5588	0.0000	0.0001	0.0007	0.0012	ZAR	10.65	11.65
USD Index	111.05					EQUITIES		
EUR/USD	0.9909	0.0021	0.0076	0.0139	0.0262		Index	
USD/JPY	146.70	-0.50	-1.85	-3.75	-7.74	NZX50	11,283	
GBP/USD	1.1497	0.0010	0.0035	0.0059	0.0094	ASX200	6,987	
EUR/GBP	0.8618	0.0011	0.0036	0.0073	0.0148	Dow Jones	32,723	
						S&P 500	877	
						FTSE100	7,144	
						DAX 30	13,257	
						Nikkei	27,663	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.86%		2.89%			
90 day bank bills			4.19%		3.10%			
1 year swap			5.09%		3.78%			
2 year swap			5.13%		4.07%			
3 year swap			5.00%		4.11%			
5 year swap			4.78%		4.20%			
10 year swap			4.69%		4.48%			
3 year Govt bond			4.63%		3.40%			
5 year Govt bond			4.54%		3.57%			
10 year Govt bond			4.51%		3.92%			
						COMMODITIES		
							USD	
						Brent Crude	95.96	
						Gold	1,654.63	
						Silver	19.71	
						Iron Ore	80.03	
						CRB Index	297.73	
							NZD	
						NZ Carbon	84.50	

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