

Market Alert

Wednesday 30 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6199	0.0006
NZD/AUD	0.9265	-0.0061
NZD/JPY	85.87	-2.09
NZD/EUR	0.5995	-0.0077
NZD/GBP	0.5182	-0.0019
NZD/CNH	4.4242	-0.0587
AUD/USD	0.6689	0.0050
AUD/EUR	0.6470	-0.0041
EUR/USD	1.0338	0.0132
USD/CNH	7.1369	-0.1011
GBP/USD	1.1961	0.0051
EUR/GBP	0.8641	0.0072

INT RATES	NZ	Australia
OCR/Cash	4.25%	2.85%
90 day bills	4.45%	3.13%
2 year swap	5.18%	3.78%
10 year Govt	4.16%	3.68%

Sudden death

With the last round of group games from the FIFA world cup starting this morning, the competition has essentially become sudden death, with most teams knowing that they need a win to get to the knock-out stages.

But the real question of the day is whether it's sudden death for the US Dollar Index as well, as its strength starts to wane as traders look to square positions and trim bets on the pace of Fed hikes. And right on cue, according to JPMorgan, the USD is no longer a straight, one-way buy, while Morgan Stanley predicts it'll peak this quarter and fall through 2023. The 'hot' money is forecasting the EUR, JPY and

Korean won to be the main beneficiaries ... but I wouldn't whole-heartily buy into that consensus. At this stage, if you have any concerns or worries, give your friendly Bancorp Treasury advisor a call to find out what's really going to happen!

Interestingly, going into the NZ close last night, the NZD and AUD got a boost after the Chinese State Council called a press conference, with rumours circulating that China would dial back Covid restrictions in response to widespread protests over the weekend. Ultimately it was announced that China would ramp up vaccinations amongst its senior citizens in what would be a key move to any reopening.

The NZIER announced it expects the OCR to peak at 5.00% in 2023 as, "We expect the negative impact of higher interest rates on demand will become more apparent around mid-2023, such that the Reserve Bank will not need to increase interest rates by as much as it currently expects to." Meanwhile, one of the local banks took on a more optimistic approach announcing, "Our initial estimates are that CPI inflation over the next two quarters will come in well below the RBNZ's forecasts. This opens up a potential pathway for a lower peak in the OCR."

Ahead of tonight's Jerome Powell speech, Richmond Fed President Thomas Barkin stated, "(We) expect to see continuation of solid job growth. You've got to get inflation under control, and make sure it is before you can talk of loosening (policy)."

While Asian and European equity markets were boosted by the rumours from China, US markets took a more pessimistic approach. Oil prices firmed as word spread that OPEC producers may decide to reduce output further, while the US 10-year Treasury yield firmed 6bps to 3.74%.

Around the world in 140 words!

US house prices fell for the 5th consecutive month after the S&P CoreLogic Case-Shiller 20-city home price index increased by 'just' 10.4% yoy to record its lowest increase since December 2020 against forecasts for 10.8%, while, in the UK, mortgage approvals dropped sharply to 59k in October, down from September's 66k and below forecasts at 60.2k. In Japan, the unemployment rate flatlined at 2.6% in October, near its 2-year 2.5% low, while retail sales increased to 4.3% in the year to October which was below market forecasts at 5.0%. German consumer price inflation fell to 10.0%, slightly lower than October's all-time high of 10.4%. Finally, Canadian Q3 GDP expanded 0.7% to record its 5th consecutive quarter of growth following Q2's 0.8%. Growth in exports, non-residential structures, and investment in inventories were moderated by declines in housing investment and household spending.



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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	72.20					CAD	0.8420	0.9087
NZD/USD	0.6199	0.0003	0.0007	0.0006	0.0007	CHF	0.5908	0.6375
NZD/AUD	0.9265	-0.0010	-0.0024	-0.0061	-0.0124	CNY	4.4502	4.8130
NZD/JPY	85.87	-0.36	-0.93	-2.09	-4.44	DKK	4.4576	4.8113
NZD/EUR	0.5995	-0.0016	-0.0035	-0.0077	-0.0160	FJD	1.3618	1.4695
NZD/GBP	0.5182	-0.0005	-0.0008	-0.0019	-0.0042	HKD	4.8416	5.2243
						KRW	822.28	887.28
AU TWI	62.20					MYR	2.7917	3.0134
AUD/USD	0.6813	0.0009	0.0025	0.0050	0.0083	NOK	6.2004	6.6927
AUD/NZD	0.6535	0.0010	0.0026	0.0066	0.0134	SEK	6.5533	7.0730
AUD/JPY	92.66	-0.30	-0.78	-1.67	-3.63	SGD	0.8520	0.9195
AUD/EUR	0.6470	-0.0011	-0.0022	-0.0041	-0.0088	TWD	19.17	20.69
AUD/GBP	0.5592	0.0001	0.0006	0.0015	0.0028	ZAR	10.54	11.37
USD Index	106.79					EQUITIES		
EUR/USD	1.0338	0.0029	0.0071	0.0132	0.0257		Index	
USD/JPY	138.56	-0.64	-1.68	-3.49	-7.19	NZX50	11,395	
GBP/USD	1.1961	0.0015	0.0031	0.0051	0.0086	ASX200	7,253	
EUR/GBP	0.8641	0.0014	0.0036	0.0072	0.0137	Dow Jones	33,844	
						S&P 500	3,950	
						FTSE100	7,512	
						DAX 30	14,355	
						Nikkei	28,028	
INTEREST RATES		New Zealand	Australia			COMMODITIES		
		Mid	Mid				USD	
30 day bank bills		4.35%	2.98%			Brent Crude	83.60	
90 day bank bills		4.45%	3.13%			Gold	1,751.67	
1 year swap		5.29%	3.63%			Silver	21.29	
2 year swap		5.18%	3.75%			Iron Ore	93.04	
3 year swap		4.90%	3.75%			CRB Index	294.96	
5 year swap		4.54%	3.73%				NZD	
10 year swap		4.37%	3.99%			NZ Carbon	84.15	
3 year Govt bond		4.60%	3.26%					
5 year Govt bond		4.36%	3.38%					
10 year Govt bond		4.16%	3.68%					

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