

Market Alert

Friday 4 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5779	0.0013
NZD/AUD	0.9179	-0.0045
NZD/JPY	85.68	-2.01
NZD/EUR	0.5928	-0.0071
NZD/GBP	0.5174	-0.0017
NZD/CNH	4.2351	-0.0521
AUD/USD	0.6296	0.0045
AUD/EUR	0.6455	-0.0046
EUR/USD	0.9750	0.0139
USD/CNH	7.3282	-0.1065
GBP/USD	1.1165	0.0057
EUR/GBP	0.8731	0.0075

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.20%	3.11%
2 year swap	5.19%	4.06%
10 year Govt	4.62%	4.02%

We're hiking ... but not for long.

Overnight, the BoE hiked the UK's cash rate by 75bps to 3.00%. While a rate hike was inevitable, the BoE had faced a choice between a 'hawkish' 50bps hike, or a 'dovish' 75bps. They ultimately chose the latter path although BoE Governor, Andrew Bailey, was extremely forthright at the press conference announcing that rates are unlikely to rise to the 5.0% that markets are currently pricing. The BoE's projections show that if policymakers were to follow investor expectations and hike rates to 5.0%, the economy would shrink by roughly 3.0% over several quarters inducing a 2-year recession. This saw one policymaker split the Committee voting for just 25bps worth of tightening. The BoE sees inflation peaking at 10.9% and falling to 0.0% by 2025.

The Norwegian central bank, Norges Bank, hiked its key policy rate by 25bps to 2.50%, undershooting market expectations for a 50bps hike. Policymakers noted there were signs that some areas of the economy were cooling, while the prospect of lower freight and energy prices could curb inflation in the coming quarters.

There were a few speakers from the ECB with Christine Lagarde announcing, "a recession wouldn't be enough to tame inflation, though expectations are broadly anchored right now." Joachim Nagel added, "we will not speculate when rate hikes will end, but we are in a different situation to the US," while Martins Kazaks added, the bank must still lift rates "significantly" even with a recession likely.

Ahead of tonight's non-farm payrolls, US ISM services growth fell to its lowest level in 2-years falling to 54.4 in October from 56.7 in September. The Atlanta Fed GDPNow forecast Q4 growth was upgraded to 3.6% from 2.6%.

The Chinese Caixin/S&P PMIs for October fell to 48.4 from 49.3, while services eased to 48.4 from 49.3. This ultimately saw the composite produce a 48.3 result, weaker than September's 48.5. China will also provide state-guaranteed bonds to help support local property developers and homebuilders to the tune of CNY200 billion.

The New Zealand commodity price index fell -3.4% in October as "as dairy and meat prices eased." In local currency terms, they increased 0.3% as the NZD fell -2.0% in TWI terms. Meanwhile, Australian trade

balance surged to AUD12.44 billion in September against an expected AUD8.85 billion. Exports gained 7.0% on exports of iron ore and LNG, while imports were flat.

RBNZ Governor Adrian Orr has come in for some criticism given the silence emerging from 'The Terrace', but he took the opportunity after yesterday's Fed announcement to let us know, "the global economy is facing increasing downside risks, (while) labour shortages are the single most constraining factor for firms in New Zealand. The RBNZ has high confidence it can get inflation under control. The Bank has laser-like focus on returning inflation to 1-3% target."

Global equity markets are trading in negative territory this morning, with commodity prices trending in a similar direction. This saw global bond yields firm, with the US T-bond up a couple of points to 4.12%. The USD-index also had a strong session which saw the NZD and AUD come under renewed selling pressure, while the BoE decision saw the GBP fall more than -2.0% against the USD.

Daily Rates

Friday 4 November 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.10					CAD	0.7933	0.8647
NZD/USD	0.5779	0.0002	0.0009	0.0013	0.0016	CHF	0.5850	0.6376
NZD/AUD	0.9179	-0.0006	-0.0020	-0.0045	-0.0082	CNY	4.2166	4.5989
NZD/JPY	85.68	-0.26	-0.96	-2.01	-4.32	DKK	4.4106	4.8052
NZD/EUR	0.5928	-0.0010	-0.0037	-0.0071	-0.0141	FJD	1.3297	1.4487
NZD/GBP	0.5174	-0.0003	-0.0009	-0.0017	-0.0032	HKD	4.5364	4.9422
						KRW	823.32	896.98
AU TWI	61.00					MYR	2.7407	2.9859
AUD/USD	0.6813	0.0006	0.0023	0.0045	0.0073	NOK	6.1051	6.6513
AUD/NZD	0.6535	0.0005	0.0023	0.0048	0.0090	SEK	6.4614	7.0395
AUD/JPY	93.33	-0.23	-0.84	-1.75	-3.91	SGD	0.8214	0.8949
AUD/EUR	0.6455	-0.0008	-0.0026	-0.0046	-0.0096	TWD	18.62	20.29
AUD/GBP	0.5637	0.0001	0.0002	0.0009	0.0014	ZAR	10.63	11.58
USD Index	112.95					EQUITIES		
EUR/USD	0.9750	0.0020	0.0074	0.0139	0.0260		Index	
USD/JPY	148.21	-0.50	-1.87	-3.82	-7.93	NZX50	11,184	
GBP/USD	1.1165	0.0008	0.0035	0.0057	0.0098	ASX200	6,858	
EUR/GBP	0.8731	0.0011	0.0038	0.0075	0.0150	Dow Jones	32,149	
						S&P 500	3,740	
INTEREST RATES		New Zealand		Australia		FTSE100	7,189	
		Mid		Mid		DAX 30	13,130	
30 day bank bills		3.92%		2.89%		Nikkei	27,663	
90 day bank bills		4.20%		3.11%		COMMODITIES		
1 year swap		5.11%		3.82%			USD	
2 year swap		5.19%		4.06%		Brent Crude	94.64	
3 year swap		5.07%		4.09%		Gold	1,630.92	
5 year swap		4.85%		4.22%		Silver	19.50	
10 year swap		4.77%		4.52%		Iron Ore	82.10	
3 year Govt bond		4.70%		3.50%		CRB Index	302.42	
5 year Govt bond		4.63%		3.67%			NZD	
10 year Govt bond		4.62%		4.02%		NZ Carbon	85.00	

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