

Market Alert

Thursday 1 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6294	0.0007
NZD/AUD	0.9274	-0.0061
NZD/JPY	86.97	-2.10
NZD/EUR	0.6055	-0.0077
NZD/GBP	0.5225	-0.0018
NZD/CNH	4.4376	-0.0570
AUD/USD	0.6785	0.0051
AUD/EUR	0.6525	-0.0037
EUR/USD	1.0396	0.0136
USD/CNH	7.0526	-0.0982
GBP/USD	1.2041	0.0054
EUR/GBP	0.8629	0.0073

INT RATES	NZ	Australia
OCR/Cash	4.25%	2.85%
90 day bills	4.46%	3.14%
2 year swap	5.13%	3.67%
10 year Govt	4.15%	3.62%

Hey, well done Australia!

A huge congratulations to the Socceroos on qualifying for the last 16!

And in what was the good news story of the day, the RBA Governor really has his finger on the pulse after the October annual Australian CPI headline number eased back to 6.9% against an expected 7.4%, while the trimmed mean flatlined at 5.3%, which was significantly lower than the 5.7% forecast. In other Australian releases, completed Q3 construction work increased to 2.2% against an expected 1.5%, private sector credit growth increased 0.6% on the month, as was expected, although October building permits fell -6.0% when a modest -1.8% contraction had been anticipated.

But while the Australian numbers were positive, New Zealand business confidence hasn't just hit the floor, it has plummeted through it into the basement, falling to -57.1%, from October's -42.7%. This weakness was also mirrored in the own activity outlook, which crashed to -13.7%, from -2.5%. Breaking it down, residential construction intentions tanked, employment intentions were negative for the first time since October 2020, inflationary pressures remain intense, although pricing intentions eased. Thank you, Mr. Orr!

Time for a Fed pivot?

It may be, after Fed Chair Jerome Powell announced, "*The time for moderating the pace of rate increases may come as soon as the December meeting. The October inflation data was a welcome surprise (although) it will take substantially more evidence to give comfort inflation is actually declining. The truth is that the path ahead for inflation remains highly uncertain. Given our progress in tightening policy, the timing of that moderation is far less significant than the questions of how much further we will need to raise rates to control inflation, and the length of time it will be necessary to hold policy at a restrictive level. Despite the tighter policy and slower growth over the past year, we have not seen clear progress on slowing inflation.*"

And the latest data releases supported Mr. Powell's pivot rhetoric after the US economy grew by an annualised 2.9% in Q3, which was marginally better than

initial estimates at 2.6%. Job openings dropped by 353k to 10.3 million in October, suggesting demand for workers may be starting to moderate amid a softer economic outlook, while private businesses 'only' added 127k jobs in November as interest rate-sensitive sectors like construction, financial and business services slowed.

The inflation situation in the Eurozone also slowed for the first time in 18-months, easing to 10.0% in November, from October's 10.4%, offering hope that a peak may be in place and supporting expectations that the ECB may slow the pace of rate hikes to 50bps later this month, from 75bps.

The news out of China is getting worse on a daily basis after manufacturing PMIs plummeted to 48.0, from October's 49.2, while service PMIs dropped like a stone to 46.7, from 48.7. Finally, and by no means surprising, China's air traffic is current running at 35% of its 2019 levels.

With Chair Powell acknowledging the Fed may officially pivot this month, the USD came under renewed selling pressure while the NZD/USD and AUD/USD spiked to their session highs. Against this, bond markets adopted a 'we already knew that' approach, with the US 10-year yield down 4bps to 3.70%.



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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	72.50					CAD	0.8468	0.9130
NZD/USD	0.6294	0.0003	0.0008	0.0007	0.0006	CHF	0.5955	0.6419
NZD/AUD	0.9274	-0.0009	-0.0024	-0.0061	-0.0129	CNY	4.3953	4.7437
NZD/JPY	86.97	-0.34	-0.94	-2.10	-4.49	DKK	4.5016	4.8528
NZD/EUR	0.6055	-0.0015	-0.0035	-0.0077	-0.0163	FJD	1.3722	1.4795
NZD/GBP	0.5225	-0.0004	-0.0008	-0.0018	-0.0038	HKD	4.9114	5.2954
						KRW	822.49	886.79
AU TWI	62.10					MYR	2.7960	3.0146
AUD/USD	0.6813	0.0010	0.0025	0.0051	0.0091	NOK	6.1983	6.6829
AUD/NZD	0.6535	0.0010	0.0026	0.0067	0.0141	SEK	6.6140	7.1291
AUD/JPY	93.82	-0.28	-0.77	-1.66	-3.59	SGD	0.8570	0.9238
AUD/EUR	0.6525	-0.0010	-0.0020	-0.0037	-0.0088	TWD	19.38	20.89
AUD/GBP	0.5632	0.0001	0.0006	0.0017	0.0035	ZAR	10.74	11.58
USD Index	106.38					EQUITIES		
EUR/USD	1.0396	0.0029	0.0071	0.0136	0.0256		Index	
USD/JPY	138.03	-0.61	-1.66	-3.46	-7.14	NZX50	11,552	
GBP/USD	1.2041	0.0015	0.0032	0.0054	0.0082	ASX200	7,284	
EUR/GBP	0.8629	0.0013	0.0036	0.0073	0.0151	Dow Jones	34,239	
						S&P 500	4,017	
INTEREST RATES		New Zealand		Australia		FTSE100	7,573	
		Mid		Mid		DAX 30	14,397	
30 day bank bills		4.35%		3.00%		Nikkei	27,969	
90 day bank bills		4.46%		3.14%		COMMODITIES		
1 year swap		5.26%		3.54%			USD	
2 year swap		5.13%		3.67%		Brent Crude	85.37	
3 year swap		4.84%		3.62%		Gold	1,763.38	
5 year swap		4.52%		3.68%		Silver	22.03	
10 year swap		4.37%		3.95%		Iron Ore	92.90	
3 year Govt bond		4.57%		3.20%		CRB Index	297.81	
5 year Govt bond		4.34%		3.32%			NZD	
10 year Govt bond		4.15%		3.62%		NZ Carbon	83.50	

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