

Market Alert

Monday 19 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6381	0.0000
NZD/AUD	0.9538	-0.0066
NZD/JPY	87.16	-2.19
NZD/EUR	0.6023	-0.0074
NZD/GBP	0.5254	-0.0022
NZD/CNH	4.4393	0.0000
AUD/USD	0.6716	0.0047
AUD/EUR	0.6344	-0.0035
EUR/USD	1.0582	0.0128
USD/CNH	6.9771	0.0000
GBP/USD	1.2140	0.0048
EUR/GBP	0.8717	0.0068

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.58%	3.24%
2 year swap	5.26%	3.76%
10 year Govt	4.34%	3.55%

Don't cry for me Argentina

The truth is, you deserved it!

In what was quite possibly the greatest final ever, Argentina defeated France by a penalty shoot-out to win the world cup! I think Sir Alex Ferguson summed it up best when he said, "Football, eh? Bloody hell!" It sounds better with a Scottish accent!

Last week sets the foundation for 2023

But, as we wind into the last week of active trading for the year, what did last week actually tell us? Bond markets remain concerned about the possibility

of a US recession with the US yield curve at its most inverted in 4 decades, although equity markets are much more optimistic forecasting, at worst, a mild recession. Internationally, employment remains strong and while inflation appears to be edging off its peaks, it still has a considerable way to go before it returns to its targets. The big call for 2023 will inevitably be for Chinese and Asian equities with China's economic reopening, but there will be issues as China appears to be entering a sustained period of unreported COVID deaths. One thing we can guarantee though, volatility will remain at a premium next year so keep in regular contact with your Treasury Advisor!

Consumer spending is slowing in the UK as retail sales unexpectedly declined 0.4% month on month in November, after an upwardly revised 0.9% in the previous month when there was a bounce back from the impact of the additional Bank Holiday in September. US equity markets have taken a beating across the board as fears that aggressive rate hikes by the Fed could push the world's largest economy into recession.

In the Euro-zone, composite PMIs improved from 47.8 to 48.8 in December, and while it remains in contradictory territory, at least its heading in the right direction. In other news, the ECB has banned policymakers from making speculative investments and 'short-term' trades.

Last Friday saw US business activity shrink, yet again, after S&P Composite PMIs fell to 44.6 in December from 46.4 in November as manufactures and service providers registered further decreases in output amid weakening demand. This weighed on equity markets while oil prices also remained under pressure. The 10-year US yield was a touch lower at 3.48%, while the NZD and AUD were steady.

The week ahead

Word on the street is that fund managers are set to sell up to USD100 billion of equities in the final weeks of 2022 as managers re-balance portfolios to achieve their traditional 60%-40% stock-bond mix, according to JPMorgan and StoneX.

The highlight of this week will be the Fed's US PCE report on Friday, which is expected to record a fall to 5.5% from 6.0%, while we also have US personal income, durable goods orders, and the University of Michigan's consumer sentiment survey. We also have the BoJ meeting on Tuesday, with Governor Haruhiko Kuroda expected to maintain policy in its current stance, while the RBA minutes may shed light as to whether a pause to tightening has been considered.



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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	73.10					CAD	0.8725	0.9157
NZD/USD	0.6381	0.0004	0.0007	0.0000	-0.0015	CHF	0.5957	0.6248
NZD/AUD	0.9538	-0.0006	-0.0024	-0.0066	-0.0136	CNY	4.4401	4.6642
NZD/JPY	87.16	-0.33	-0.97	-2.19	-4.59	DKK	4.4782	4.7133
NZD/EUR	0.6023	-0.0013	-0.0035	-0.0074	-0.0145	FJD	1.3905	1.4635
NZD/GBP	0.5254	-0.0003	-0.0009	-0.0022	-0.0046	HKD	4.9667	5.2274
						KRW	835.57	879.44
AU TWI	61.20					MYR	2.8217	2.9698
AUD/USD	0.6813	0.0008	0.0024	0.0047	0.0072	NOK	6.2306	6.5577
AUD/NZD	0.6535	0.0006	0.0024	0.0068	0.0134	SEK	6.6290	6.9770
AUD/JPY	91.37	-0.28	-0.79	-1.69	-3.60	SGD	0.8669	0.9124
AUD/EUR	0.6344	-0.0009	-0.0021	-0.0035	-0.0064	TWD	19.64	20.67
AUD/GBP	0.5530	0.0001	0.0005	0.0015	0.0029	ZAR	11.25	11.84
USD Index	104.84					EQUITIES		
EUR/USD	1.0582	0.0027	0.0071	0.0128	0.0224		Index	
USD/JPY	135.93	-0.59	-1.66	-3.43	-6.87	NZX50	11,604	
GBP/USD	1.2140	0.0013	0.0029	0.0048	0.0065	ASX200	7,149	
EUR/GBP	0.8717	0.0013	0.0034	0.0068	0.0133	Dow Jones	32,920	
						S&P 500	3,852	
						FTSE100	7,332	
						DAX 30	13,893	
						Nikkei	27,527	
INTEREST RATES		New Zealand	Australia			COMMODITIES		
		Mid	Mid				USD	
30 day bank bills		4.35%	3.06%			Brent Crude	79.04	
90 day bank bills		4.58%	3.24%			Gold	1,792.34	
1 year swap		5.42%	3.68%			Silver	23.21	
2 year swap		5.26%	3.76%			Iron Ore	110.27	
3 year swap		4.99%	3.64%			CRB Index	293.93	
5 year swap		4.69%	3.66%				NZD	
10 year swap		4.48%	3.92%			NZ Carbon	77.50	
3 year Govt bond		4.79%	3.19%					
5 year Govt bond		4.47%	3.28%					
10 year Govt bond		4.34%	3.55%					

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