

# Market Alert

Wednesday 21 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6325	0.0001
NZD/AUD	0.9495	-0.0067
NZD/JPY	83.17	-2.09
NZD/EUR	0.5964	-0.0072
NZD/GBP	0.5208	-0.0021
NZD/CNH	4.4063	-0.0615
AUD/USD	0.6663	0.0047
AUD/EUR	0.6279	-0.0033
EUR/USD	1.0609	0.0129
USD/CNH	6.9642	-0.0982
GBP/USD	1.2142	0.0046
EUR/GBP	0.8736	0.0069

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.62%	3.26%
2 year swap	5.25%	3.77%
10 year Govt	4.40%	3.79%

## Its going to be a bumpy ride ...

It's all go in Japan as the BoJ maintained its key short-term interest rate at -0.1% and 10-year bond yields at around 0% during its December meeting, as expected. However, the market mover was that it adjusted its yield curve control range from +/-0.25% to +/-0.5% while bond purchases are increasing to 9 trillion per month between Jan 23 – March 23. The news sent 10-year JGB yields to 0.455%, the highest since 2015 which has resulted in a limit down halt at the Osaka exchange. International yields are also up. The BOJ says it made the change as “the functioning of bond markets has deteriorated [...] If these market

conditions persist, this could have a negative impact on financial conditions.”

The People's Bank of China (PBoC) left its key lending rates unchanged for the fourth straight month at December fixing, as widely expected, amid a slowdown in economic activity due to rising COVID infections and efforts from the government to stabilize its economy in 2023 and maintain ample liquidity in financial markets to meet key targets.

New Zealand's economic outlook has had the double whammy, following Monday's Q4 consumer confidence plummeting to an all-time low, the ANZ Business Outlook Index in New Zealand fell to -70.2 in December 2022 from -57.1 in November, sinking to a new record low as businesses navigate persistent inflationary pressures, aggressive monetary tightening, and a widely anticipated recession next year. Notable mentions are Own Activity Outlook and Investment intentions which are around GFC lows ... buckle up!

Overnight the GDT auction result came in at -3.8%, the first negative result since the 1 November auction. The biggest loser was SMP prices which were down 4.8%, followed by WMP down 4% with butter and cheddar both prices both down 2.6% and 0.7% respectively

Over in Germany, sentiment appears to be a slightly more optimistic as their Ifo Business Climate indicator for Germany rose for a third consecutive month to 88.6 in December 2022, the highest

level since August and above market expectations of 87.4. The improvement comes despite elevated inflationary levels and the energy crisis.

## Equities take a swing ...

Wall Street rebounded from a weak start on Tuesday, with the Dow Jones up more than 100 points while the S&P 500 and Nasdaq added 0.3% and 0.1% respectively. Markets seemed to be taking advantage of a sharp drop earlier this session to open new positions. Still, sentiment remained clouded by worries that aggressive interest rate increases could tip the US economy into recession. US building permits collapsed 11.2% month-on-month in November, its sharpest fall since the COVID-19 pandemic and a 2-year low.

The NZD/USD opened today at 0.6320, falling 0.5 cents as commodity currencies fell out of favour. The NZD/AUD cross remained flat, holding at 0.9490 while the NZD/EUR fell half a cent lower to close the session at 0.5940. We should also note the NZD/JPY fell sharply by -4.8% lower in a day against the Japanese Yen.



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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	0.8611	0.9070
NZD/USD	0.6325	0.0004	0.0007	0.0001	-0.0016	CHF	0.5862	0.6176
NZD/AUD	0.9495	-0.0007	-0.0024	-0.0067	-0.0136	CNY	4.4140	4.6448
NZD/JPY	83.17	-0.34	-0.95	-2.09	-4.34	DKK	4.4346	4.6716
NZD/EUR	0.5964	-0.0013	-0.0034	-0.0072	-0.0138	FJD	1.3807	1.4545
NZD/GBP	0.5208	-0.0002	-0.0007	-0.0021	-0.0043	HKD	4.9252	5.1884
						KRW	812.15	855.55
AU TWI	60.60					MYR	2.8020	2.9517
AUD/USD	0.6813	0.0008	0.0024	0.0047	0.0074	NOK	6.2650	6.5998
AUD/NZD	0.6535	0.0007	0.0025	0.0068	0.0139	SEK	6.6013	6.9541
AUD/JPY	87.56	-0.29	-0.79	-1.61	-3.45	SGD	0.8548	0.9005
AUD/EUR	0.6279	-0.0009	-0.0020	-0.0033	-0.0061	TWD	19.43	20.47
AUD/GBP	0.5487	0.0001	0.0006	0.0015	0.0031	ZAR	10.96	11.55
USD Index	104.02					<b>EQUITIES</b>		
EUR/USD	1.0609	0.0027	0.0071	0.0129	0.0220		<b>Index</b>	
USD/JPY	131.44	-0.60	-1.64	-3.33	-6.64	NZX50	11,405	
GBP/USD	1.2142	0.0011	0.0027	0.0046	0.0064	ASX200	7,024	
EUR/GBP	0.8736	0.0013	0.0037	0.0069	0.0131	Dow Jones	32,973	
						S&P 500	3,834	
						FTSE100	7,371	
						DAX 30	13,885	
						Nikkei	26,568	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Mid</b>		<b>Mid</b>			<b>USD</b>	
30 day bank bills		4.35%		3.07%		Brent Crude	80.26	
90 day bank bills		4.62%		3.26%		Gold	1,813.70	
1 year swap		5.45%		3.67%		Silver	23.99	
2 year swap		5.25%		3.77%		Iron Ore	109.56	
3 year swap		4.99%		3.73%		CRB Index	293.15	
5 year swap		4.68%		3.77%			<b>NZD</b>	
10 year swap		4.56%		4.08%		NZ Carbon	77.00	
3 year Govt bond		4.80%		3.29%				
5 year Govt bond		4.49%		3.42%				
10 year Govt bond		4.40%		3.79%				

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