

# Market Alert

Tuesday 16 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6365	-0.0004
NZD/AUD	0.9062	-0.0027
NZD/JPY	84.85	-1.65
NZD/EUR	0.6264	-0.0096
NZD/GBP	0.5280	-0.0028
NZD/CNH	4.3468	-0.0299
AUD/USD	0.7020	0.0015
AUD/EUR	0.6909	-0.0088
EUR/USD	1.0157	0.0151
USD/CNH	6.8175	-0.0444
GBP/USD	1.2048	0.0055
EUR/GBP	0.8430	0.0085

  

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.85%
90 day bills	3.34%	2.37%
2 year swap	3.95%	3.38%
10 year Govt	3.54%	3.44%

## Please be gentle with me

I've just returned to the office from an extended weekend of eating and drinking in amongst the snow-capped mountains in the great south ... and the most significant change has been to my waistline!

And I suspect Tourism China had wished that I'd visit their country given the state of their latest economic releases, which painted a very bleak outlook as the impact of COVID-19 related lockdowns extended beyond the housing market, with retail sales slowing, while industrial production and fixed asset investments also eased lower. Breaking it all down, retail sales

grew at a modest 2.7% in the year to July, compared to 3.1% in June, while the jobless rate remained high at 5.4%. Industrial production slowed to 3.8%, from 3.9%, mainly from weaker growth in materials for the housing sector although semiconductor production fell by an astonishing 16.6% on the year. Finally, fixed asset investment growth slowed to 5.7% in July, from 6.1% in June.

This weakening Chinese data, with a further scaling back in growth projections, saw China's central bank, the PBoC, unexpectedly lower its Medium Lending Facility (MLF) 1-year policy rate from 2.85% to 2.75%, while it also eased the 7-day reverse repo rate from 2.1% to 2.0%. While many had forecast the central bank would cut its key interest rates this year, these cuts were the first by the PBoC since January.

The data out of the US wasn't a great deal better either after the New York state manufacturing activity index plummeted from 5.0 to -31.3, in what was the index's second worst plunge since 2001, with sharp declines in orders and shipments indicating an abrupt downturn in demand. Meanwhile, the Home Buyers/Wells Fargo housing index decreased 6 points to 49 in August, which was its worst slump since 2007, clear signs that the Federal Reserve's hiking cycle has started to impact US housing confidence.

In the Eurozone, the risk of a recession has reached its highest level since November

2020 as energy shortages threaten to drive already record inflation higher still, according to economists polled by Bloomberg. The survey placed the probability of output shrinking for two consecutive quarters at 60%, up from 45% in the previous survey and up from 20% before the Russian invasion.

Growing signs of Chinese weakness saw oil shed more than 3% overnight, while iron ore, copper and other metals declined amid mounting concerns that China's sluggish recovery will curb demand for raw materials. Equity markets continued their buoyant recovery, which is a little suspicious to say the least! The NZD and AUD also weakened due to Chinese concerns.

## Chinese whispers

While this appears to be a classic case of 'Chinese whispers' with nothing stated through official channels, Chinese media have unofficially announced that New Zealand and Australian beef imports are to be blocked from entering the country, effective immediately. At this stage, there has been no comments regarding dairy products. While there has been no explanation for the ban, rumours suggest the Chinese authorities deem our products may carry the threat of foot and mouth disease, following the outbreak in Indonesia. Whether this escalates or not, the news again highlights the risks associated with the Chinese demand story.



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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	72.70					CAD	0.8216	0.9063
NZD/USD	0.6365	-0.0002	-0.0003	-0.0004	-0.0001	CHF	0.6025	0.6647
NZD/AUD	0.9062	-0.0007	-0.0016	-0.0027	-0.0034	CNY	4.3165	4.7642
NZD/JPY	84.85	-0.23	-0.71	-1.65	-3.46	DKK	4.6593	5.1388
NZD/EUR	0.6264	-0.0016	-0.0045	-0.0096	-0.0184	FJD	1.3721	1.5133
NZD/GBP	0.5280	-0.0005	-0.0013	-0.0028	-0.0049	HKD	4.9888	5.5022
						KRW	834.15	919.99
AU TWI	63.80					MYR	2.8369	3.1288
AUD/USD	0.6813	0.0003	0.0009	0.0015	0.0008	NOK	6.1786	6.8144
AUD/NZD	0.6535	0.0007	0.0018	0.0030	0.0037	SEK	6.5833	7.2615
AUD/JPY	93.60	-0.19	-0.62	-1.56	-3.46	SGD	0.8774	0.9677
AUD/EUR	0.6909	-0.0012	-0.0038	-0.0088	-0.0179	TWD	19.10	21.06
AUD/GBP	0.5823	-0.0001	-0.0005	-0.0015	-0.0036	ZAR	10.47	11.55
USD Index	106.52					<b>EQUITIES</b>		
EUR/USD	1.0157	0.0022	0.0068	0.0151	0.0282		<b>Index</b>	
USD/JPY	133.30	-0.32	-1.05	-2.50	-5.23	NZX50	11,789	
GBP/USD	1.2048	0.0007	0.0024	0.0055	0.0083	ASX200	7,064	
EUR/GBP	0.8430	0.0013	0.0039	0.0085	0.0170	Dow Jones	33,912	
						S&P 500	4,296	
<b>INTEREST RATES</b>						FTSE100	7,509	
		<b>New Zealand</b>		<b>Australia</b>		DAX 30	13,817	
		<b>Mid</b>		<b>Mid</b>		Nikkei	28,872	
30 day bank bills		3.02%		1.93%		<b>COMMODITIES</b>		
90 day bank bills		3.34%		2.37%			<b>USD</b>	
1 year swap		3.92%		3.25%		Brent Crude	94.54	
2 year swap		3.95%		3.38%		Gold	1,779.57	
3 year swap		3.82%		3.38%		Silver	20.26	
5 year swap		3.67%		3.38%		Iron Ore	109.71	
10 year swap		3.66%		3.58%		CRB Index	309.76	
3 year Govt bond		3.48%		3.08%			<b>NZD</b>	
5 year Govt bond		3.45%		3.21%		NZ Carbon	80.75	
10 year Govt bond		3.54%		3.44%				

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