

Market Alert

Wednesday 17 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6342	-0.0004
NZD/AUD	0.9031	-0.0028
NZD/JPY	85.14	-1.68
NZD/EUR	0.6238	-0.0096
NZD/GBP	0.5243	-0.0027
NZD/CNH	4.3375	-0.0352
AUD/USD	0.7021	0.0017
AUD/EUR	0.6902	-0.0086
EUR/USD	1.0171	0.0152
USD/CNH	6.7937	-0.0481
GBP/USD	1.2093	0.0052
EUR/GBP	0.8407	0.0086

INT RATES	NZ	Australia
OCR/Cash	2.50%	1.85%
90 day bills	3.33%	2.35%
2 year swap	3.91%	3.36%
10 year Govt	3.46%	3.29%

More PBOC action to come

In the face of weakening Chinese data and the PBoC unexpectedly lowering its Medium Lending Facility (MLF) 1-year policy rate from 2.85% to 2.75%, and the 7-day reverse repo rate from 2.1% to 2.0%, all eyes were on the Yuan fixing yesterday.

The PBoC set the USD/CNY exchange rate higher (a weaker Yuan) as expected, at 6.7730 up from the previous day's

mid-rate of 6.7410. The PBoC will meet again on Monday to set its MLF and repo facilities, with further easing expected.

WTI crude oil traded at its lowest price since 3 February at USD86.82 as weak Chinese data solidified the market's demand concerns. Further weakness could be seen this week as Iran is rumoured to be near reaching a deal with the west on its nuclear programme.

The EU last week tabled a 'final text' of a new iteration of the nuclear deal, the Joint Comprehensive Plan of Action (JCPOA), while Al Jazeera has reported that Iran is close to agreeing to the deal. Of course, these are just rumours, but any concrete agreement with Iran is likely to have further downward effect on oil.

Iran and Russia have strengthened ties in recent years, which has put a spanner in the works as far as the west is concerned.

Barclays may be a bit late to the game with a downward revision to its year end oil price forecast but is still picking Brent crude above USD100 at USD103, down from USD111. Barclays remain "constructive on oil prices", whatever that means. Keep an eye on oil because it will mean a lot for inflation numbers and how central banks react over the remainder of the year.

GDT Auction disappoints

It was yet another poor result at the GDT auction, with the index down 2.9%, for the 5th consecutive negative result, down 5.0% previously. Anhydrous milk fat and whole milk powder lead the downward charge, plummeting 9.8% and 3.5% respectively. Skim milk, butter, and cheddar had marginal gains at 0.1%, 0.8% and 4.2%.

In China, factory and retail activity slowed unexpectedly in July, prompting the central bank to cut key lending rates to shore up demand. Each data release out of China puts that optimistic growth target of 5.5% a little further out of reach.

Overnight was relatively tame, with markets flat across the board, S&P was up 0.5%, and much the same in European markets. Asian markets were slightly down, and the Kiwi is down across the USD, AUD, and EUR.

In the United States, building permits, a proxy for future construction, decreased 1.3% to an annualised rate of 1.674 million in July 2022, the lowest level since September last year. There seems to be a trend of weak data across the board, which adds to the narrative that inflation has 'peaked', although we have all heard that before, so let's see what the rest of the week brings.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 17 August 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.20					CAD	0.8144	0.9020
NZD/USD	0.6342	-0.0002	-0.0002	-0.0004	0.0001	CHF	0.6019	0.6666
NZD/AUD	0.9031	-0.0006	-0.0016	-0.0028	-0.0033	CNY	4.3011	4.7597
NZD/JPY	85.14	-0.22	-0.70	-1.68	-3.41	DKK	4.6376	5.1341
NZD/EUR	0.6238	-0.0015	-0.0044	-0.0096	-0.0179	FJD	1.3683	1.5148
NZD/GBP	0.5243	-0.0004	-0.0013	-0.0027	-0.0043	HKD	4.9726	5.5050
						KRW	831.25	920.24
AU TWI	63.60					MYR	2.8311	3.1342
AUD/USD	0.6813	0.0003	0.0010	0.0017	0.0012	NOK	6.1353	6.7921
AUD/NZD	0.6535	0.0007	0.0018	0.0030	0.0030	SEK	6.5579	7.2600
AUD/JPY	94.25	-0.18	-0.61	-1.58	-3.46	SGD	0.8741	0.9677
AUD/EUR	0.6902	-0.0012	-0.0036	-0.0086	-0.0174	TWD	19.01	21.05
AUD/GBP	0.5804	-0.0001	-0.0004	-0.0013	-0.0027	ZAR	10.40	11.51
USD Index	106.51					EQUITIES		
EUR/USD	1.0171	0.0021	0.0067	0.0152	0.0282		Index	
USD/JPY	134.20	-0.31	-1.05	-2.57	-5.28	NZX50	11,847	
GBP/USD	1.2093	0.0007	0.0024	0.0052	0.0073	ASX200	7,105	
EUR/GBP	0.8407	0.0013	0.0037	0.0086	0.0176	Dow Jones	34,171	
						S&P 500	4,307	
INTEREST RATES						FTSE100	7,536	
		New Zealand		Australia		DAX 30	13,910	
		Mid		Mid		Nikkei	28,869	
30 day bank bills		3.03%		1.93%		COMMODITIES		
90 day bank bills		3.33%		2.35%			USD	
1 year swap		3.87%		3.21%		Brent Crude	92.10	
2 year swap		3.91%		3.36%		Gold	1,775.07	
3 year swap		3.79%		3.35%		Silver	20.12	
5 year swap		3.62%		3.31%		Iron Ore	107.60	
10 year swap		3.59%		3.52%		CRB Index	307.79	
3 year Govt bond		3.43%		2.95%			NZD	
5 year Govt bond		3.39%		3.07%		NZ Carbon	83.50	
10 year Govt bond		3.46%		3.29%				

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED