

# Market Alert

Thursday 18 August 2022

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.6278 | -0.0003 |
| NZD/AUD    | 0.9053 | -0.0026 |
| NZD/JPY    | 84.76  | -1.66   |
| NZD/EUR    | 0.6167 | -0.0092 |
| NZD/GBP    | 0.5210 | -0.0022 |
| NZD/CNH    | 4.3094 | -0.0322 |
| AUD/USD    | 0.6935 | 0.0016  |
| AUD/EUR    | 0.6812 | -0.0083 |
| EUR/USD    | 1.0180 | 0.0147  |
| USD/CNH    | 6.7912 | -0.0476 |
| GBP/USD    | 1.2048 | 0.0042  |
| EUR/GBP    | 0.8447 | 0.0092  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 3.00% | 1.85%     |
| 90 day bills | 3.34% | 2.34%     |
| 2 year swap  | 3.92% | 3.42%     |
| 10 year Govt | 3.48% | 3.34%     |

## The Goldilocks effect

As the RBNZ is “the most transparent central bank in the world,” I suppose we should be prepared to take its word that slowly increasing numbers of inbound tourists and falling wage inflation will save us from a possible recession. Well, I hope they’re right as the fourth successive 50bps rate hike is definitely starting to hurt! I guess the good news is that “the moves by 50bp have been orderly, sufficient (and we) did not consider a 75bp rate hike.”

It was also interesting to note that non-tradeable, or domestic inflation, is perceived to be the issue going forward with construction, food and energy costs being the key inputs that need to be managed. I somehow get the feeling that construction inflation will take care of itself in the foreseeable future, but ‘well done’ to New Zealand’s largest building company for those pay rises! And while no-one is quite sure what the new neutral rate is, Mr Orr was irrevocable in stating, “4.0% is unambiguously above the neutral rate.” He also added that he, “sees below-par growth, but is not forecasting a recession. The central bank is in a strong position to get on top of inflation. Household balance sheets are still healthy (and) some heat will come out of the labour market as demand slows. Slower consumer spending is also leading to slower growth.”

## Focus on inflation

Ouch! In the UK, inflation hit a staggering 10.1%, up from June’s 9.4% and slightly above market forecasts of 9.8%. It was the highest reading since February 1982 as prices rose fastest for housing and utilities.

After hiking its Fed funds rate by 2.25% so far this year to a target range of 2.25%-2.50%, the minutes from the Federal Reserve’s July meeting underpinned its hawkish tone, emphasising that the

members would not consider paring back their interest rate projections until inflation came down to its 2.0% target. The minutes also highlighted a change to its communication strategy after the members looked to avoid providing specific guidance on future increases as they transition to becoming more data dependant in their decision making.

And talking of the data, US retail sales stalled at 0.0% in July, against an expected 0.1% increase, as sales fell at gasoline stations and car dealers, but, against this, non-store retailers jumped 2.7%, boosted in part by Amazon’s Prime Day event. US manufacturers and trade inventories also rose, up 1.4% on the month, while the June data was also upwardly revised, as producers looked to nullify supply chain constraints.

With the RBNZ’s hike fully priced in by markets, and the Fed meeting minutes viewed as less hawkish than previously perceived, equity markets snapped their recent winning streak. Commodities were mixed, while crude oil bounced back from its six month low, rising 1.5% towards the US\$88.00 level as data showed oil inventory levels had fallen. The NZD retreated from its brief post-RBNZ statement highs, while the AUD also came under selling pressure on the China effect. The USD Index consolidated and the US 10-year yield firmed 9bps to 2.89%.



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Thursday 18 August 2022

| FX                    | Spot   | FECs (mid)         |         |                  |         | Spot Mid           |              |        |
|-----------------------|--------|--------------------|---------|------------------|---------|--------------------|--------------|--------|
|                       | Mid    | 1mth               | 3mths   | 6mths            | 12mths  | NZD/...            | AUD/...      |        |
| NZ TWI                | 72.10  |                    |         |                  |         | CAD                | 0.8103       | 0.8950 |
| NZD/USD               | 0.6278 | -0.0002            | -0.0002 | -0.0003          | -0.0005 | CHF                | 0.5972       | 0.6598 |
| NZD/AUD               | 0.9053 | -0.0007            | -0.0016 | -0.0026          | -0.0033 | CNY                | 4.2481       | 4.6881 |
| NZD/JPY               | 84.76  | -0.22              | -0.71   | -1.66            | -3.45   | DKK                | 4.5866       | 5.0666 |
| NZD/EUR               | 0.6167 | -0.0015            | -0.0043 | -0.0092          | -0.0173 | FJD                | 1.3624       | 1.5050 |
| NZD/GBP               | 0.5210 | -0.0004            | -0.0011 | -0.0022          | -0.0031 | HKD                | 4.9236       | 5.4388 |
|                       |        |                    |         |                  |         | KRW                | 825.17       | 911.53 |
| AU TWI                | 63.40  |                    |         |                  |         | MYR                | 2.8038       | 3.0972 |
| AUD/USD               | 0.6813 | 0.0003             | 0.0009  | 0.0016           | 0.0011  | NOK                | 6.0911       | 6.7285 |
| AUD/NZD               | 0.6535 | 0.0007             | 0.0018  | 0.0028           | 0.0019  | SEK                | 6.5172       | 7.1992 |
| AUD/JPY               | 93.61  | -0.17              | -0.63   | -1.57            | -3.50   | SGD                | 0.8672       | 0.9580 |
| AUD/EUR               | 0.6812 | -0.0011            | -0.0036 | -0.0083          | -0.0168 | TWD                | 18.82        | 20.79  |
| AUD/GBP               | 0.5755 | -0.0001            | -0.0002 | -0.0007          | -0.0013 | ZAR                | 10.46        | 11.56  |
| USD Index             | 106.60 |                    |         |                  |         | <b>EQUITIES</b>    |              |        |
| EUR/USD               | 1.0180 | 0.0020             | 0.0068  | 0.0147           | 0.0274  |                    | <b>Index</b> |        |
| USD/JPY               | 135.02 | -0.31              | -1.09   | -2.59            | -5.48   | NZX50              | 11,853       |        |
| GBP/USD               | 1.2048 | 0.0006             | 0.0021  | 0.0042           | 0.0045  | ASX200             | 7,128        |        |
| EUR/GBP               | 0.8447 | 0.0012             | 0.0041  | 0.0092           | 0.0191  | Dow Jones          | 34,019       |        |
|                       |        |                    |         |                  |         | S&P 500            | 4,278        |        |
|                       |        |                    |         |                  |         | FTSE100            | 7,516        |        |
|                       |        |                    |         |                  |         | DAX 30             | 13,627       |        |
|                       |        |                    |         |                  |         | Nikkei             | 29,223       |        |
| <b>INTEREST RATES</b> |        | <b>New Zealand</b> |         | <b>Australia</b> |         |                    |              |        |
|                       |        | <b>Mid</b>         |         | <b>Mid</b>       |         |                    |              |        |
| 30 day bank bills     |        | 3.06%              |         | 1.94%            |         |                    |              |        |
| 90 day bank bills     |        | 3.34%              |         | 2.34%            |         |                    |              |        |
| 1 year swap           |        | 3.84%              |         | 3.26%            |         |                    |              |        |
| 2 year swap           |        | 3.92%              |         | 3.42%            |         |                    |              |        |
| 3 year swap           |        | 3.79%              |         | 3.43%            |         |                    |              |        |
| 5 year swap           |        | 3.64%              |         | 3.42%            |         |                    |              |        |
| 10 year swap          |        | 3.62%              |         | 3.62%            |         |                    |              |        |
| 3 year Govt bond      |        | 3.45%              |         | 3.00%            |         |                    |              |        |
| 5 year Govt bond      |        | 3.41%              |         | 3.13%            |         |                    |              |        |
| 10 year Govt bond     |        | 3.48%              |         | 3.34%            |         |                    |              |        |
|                       |        |                    |         |                  |         | <b>COMMODITIES</b> |              |        |
|                       |        |                    |         |                  |         |                    | <b>USD</b>   |        |
|                       |        |                    |         |                  |         | Brent Crude        | 93.21        |        |
|                       |        |                    |         |                  |         | Gold               | 1,764.99     |        |
|                       |        |                    |         |                  |         | Silver             | 19.82        |        |
|                       |        |                    |         |                  |         | Iron Ore           | 107.37       |        |
|                       |        |                    |         |                  |         | CRB Index          | 309.09       |        |
|                       |        |                    |         |                  |         |                    | <b>NZD</b>   |        |
|                       |        |                    |         |                  |         | NZ Carbon          | 83.45        |        |

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