

Market Alert

Monday 22 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6175	-0.0004
NZD/AUD	0.8973	-0.0027
NZD/JPY	84.50	-1.69
NZD/EUR	0.6147	-0.0091
NZD/GBP	0.5219	-0.0022
NZD/CNH	4.2185	0.0000
AUD/USD	0.6863	0.0015
AUD/EUR	0.6837	-0.0081
EUR/USD	1.0034	0.0138
USD/CNH	6.8335	0.0000
GBP/USD	1.1827	0.0041
EUR/GBP	0.8487	0.0087

INT RATES	NZ	Australia
OCR/Cash	3.00%	1.85%
90 day bills	3.40%	2.38%
2 year swap	3.98%	3.47%
10 year Govt	3.65%	3.48%

What is Jackson Hole?

This week will invariably start slowly given that Jackson Hole is later in the week. But wait, what is Jackson Hole, I hear you ask? Well, it's an annual event held by the Federal Reserve Bank of Kansas City where dozens of central bankers, policymakers, academics, and economists from around the world converge for their annual economic policy symposium in Jackson Hole, Wyoming. Attendees discuss economic, equity and currency issues facing the economies of the world,

with this year's theme being 'Reassessing Constraints on the Economy and Policy'.

And we should probably expect the RBNZ Governor will attend as well given his standing in financial markets, although Mr. Orr may get a few sideways glances after he announced, *"increasingly diverse opinions about where the bank should set interest rates are a pleasing sign, as that would suggest the bank must be getting close to the point where its next decision is getting 'really hard' to make. Diversity of opinion over the size of the rate rise that was required would suggest that monetary policy settings were getting close to where they needed to be."* Meanwhile, July's NZ trade data saw the annual deficit hit a new record high of -NZD11.64 billion after the monthly figures showed a deficit of -NZD1.09 billion as exports increased to NZD6.68 billion while imports surged to NZD7.77 billion.

The German Finance Ministry has become very pessimistic announcing, *"Germany's economic outlook is bleak. It's overshadowed by rising energy prices and supply chain issues."* And this is filtering through to the EUR with one European Bank announcing, *"The unrelenting negatives emerging from the gas crisis no doubt continues to weigh on the euro and suggest EUR/USD may struggle to hold gains. Fund managers continue to believe the euro is undervalued – but they have been saying that since 2018 – and we think the gas crisis and terms of trade shock has driven a lower fundamental value for EUR/USD."*

The situation isn't much better in the UK either after their consumer confidence index, the GfK, hit its lowest ever level dropping to a low of -44 for August. Meanwhile 1,900 workers at the UK's biggest container port are due to begin an 8-day strike which will disrupt UK trade and supply chains even further.

Last weeks close saw equity markets turn negative after various pessimistic comments from individual members of the Fed clouded the economic outlook. This pessimism filtered through to bond markets as the US 10-year bond rallied a further 11bps to close at 2.99%, a smidge below the psychological 3.00% level, which supported the USD-index as it broke above its key resistance contributing to another NZD and AUD sell-off.

With the markets firmly focused on Fed Chair, Jerome Powell's, speech at the Jackson Hole symposium, where it is expected he will provide insight into the Fed's rate path, reaffirming that a dovish pivot is unlikely until inflation returns to its 2.0% target, while most data releases will be an after-thought.

This week, US releases include personal income and spending, durable goods orders and the second June quarter GDP estimate, while we also have August PMI releases from the US, the UK, Australia, Germany, France, and Japan, and central bank meetings in China and South Korea.



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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	71.30					CAD	0.8024	0.8930
NZD/USD	0.6175	-0.0002	-0.0003	-0.0004	-0.0012	CHF	0.5914	0.6569
NZD/AUD	0.8973	-0.0006	-0.0016	-0.0027	-0.0044	CNY	4.2070	4.6772
NZD/JPY	84.50	-0.24	-0.74	-1.69	-3.48	DKK	4.5747	5.0844
NZD/EUR	0.6147	-0.0015	-0.0043	-0.0091	-0.0166	FJD	1.3497	1.5001
NZD/GBP	0.5219	-0.0004	-0.0012	-0.0022	-0.0029	HKD	4.8443	5.3841
						KRW	824.74	916.63
AU TWI	62.80					MYR	2.7627	3.0705
AUD/USD	0.6813	0.0002	0.0008	0.0015	0.0009	NOK	6.0416	6.7148
AUD/NZD	0.6535	0.0007	0.0018	0.0029	0.0024	SEK	6.5239	7.2508
AUD/JPY	94.08	-0.20	-0.66	-1.61	-3.63	SGD	0.8591	0.9548
AUD/EUR	0.6837	-0.0011	-0.0036	-0.0081	-0.0167	TWD	18.59	20.67
AUD/GBP	0.5801	-0.0001	-0.0003	-0.0008	-0.0017	ZAR	10.49	11.66
USD Index	108.10					EQUITIES		
EUR/USD	1.0034	0.0020	0.0065	0.0138	0.0253		Index	
USD/JPY	136.93	-0.34	-1.13	-2.64	-5.42	NZX50	11,685	
GBP/USD	1.1827	0.0006	0.0021	0.0041	0.0035	ASX200	7,115	
EUR/GBP	0.8487	0.0012	0.0040	0.0087	0.0184	Dow Jones	33,707	
						S&P 500	4,228	
						FTSE100	7,550	
						DAX 30	13,545	
						Nikkei	28,930	
INTEREST RATES		New Zealand		Australia				
		Mid		Mid				
30 day bank bills		3.07%		1.96%				
90 day bank bills		3.40%		2.38%				
1 year swap		3.98%		3.21%				
2 year swap		3.98%		3.47%				
3 year swap		3.90%		3.44%				
5 year swap		3.80%		3.48%				
10 year swap		3.81%		3.69%				
3 year Govt bond		3.56%		3.11%				
5 year Govt bond		3.54%		3.24%				
10 year Govt bond		3.65%		3.48%				
						COMMODITIES		
							USD	
						Brent Crude	96.72	
						Gold	1,747.83	
						Silver	19.03	
						Iron Ore	105.64	
						CRB Index	312.51	
							NZD	
						NZ Carbon	85.50	

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