

Market Alert

Thursday 25 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6186	-0.0002
NZD/AUD	0.8953	-0.0023
NZD/JPY	84.83	-1.70
NZD/EUR	0.6204	-0.0089
NZD/GBP	0.5242	-0.0020
NZD/CNH	4.2585	-0.0332
AUD/USD	0.6909	0.0014
AUD/EUR	0.6928	-0.0084
EUR/USD	0.9969	0.0139
USD/CNH	6.8781	-0.0451
GBP/USD	1.1799	0.0036
EUR/GBP	0.8450	0.0090

INT RATES	NZ	Australia
OCR/Cash	3.00%	1.85%
90 day bills	3.42%	2.44%
2 year swap	4.16%	3.67%
10 year Govt	3.89%	3.70%

Ahead of Jackson Hole ...

... Fed Minneapolis President, Neel Kashkari, issued a warning to markets stating, "half to two-thirds of US inflation is driven by supply side shocks, (and while) there is some evidence that supply chains are beginning to normalise, the big fear that I have is, if we are wrong, and markets are wrong, and inflation is much more embedded at a much higher level than we, or markets, appreciate, then we are going to have to be more aggressive than I anticipate, for longer, to bring inflation back down. We can only relax

on rate hikes when we see compelling evidence that inflation is heading down towards 2.0%. If inflation were at 4.0%, I'd be more willing to say, let's take our time and avoid the risk of overdoing it, but with inflation at or over 8.0%, we don't want inflation expectations to become unanchored."

US durable goods orders remain unchanged at 0.0% in July, although well below market forecasts of a 0.8% rise. Non-defense orders for capital goods, a proxy for equipment investment, increased 0.4%. However, in a similar trend to most countries, pending home sales in the US declined 1.0% in July, following on from June's 8.9% fall, while it has been reported that at least 20 million households, or 1 in 6 American homes, are behind on their power bills sparking the worst ever crisis in late utility payments!

JP Morgan is still bullish on China as, "Chinese money supply is moving up ... and credit impulse is improving. More policy stimulus is likely, to deliver 'stability' via an acceleration in government incentives to boost infrastructure in 3Q on top of the rate cuts and tax rebates seen recently."

Right on cue, the Chinese State Council has readied a 19 point policy package to support economic recovery. The package includes a quota of more than 300 billion yuan (USD43.7 billion) for policy and economic development. Meanwhile, disrupted supply chains are forcing manufacturers

to halt operations and shutdown factories. The culprit this time being an intense heatwave and drought across China's south which curbed electricity production, just as air conditioning demand is spiking.

Given that New Zealand and Australia don't have sufficient electricity to support a full conversion of the populace to electric cars, perhaps we should consider hydrogen as a more viable option. Canada and Germany have signed a "joint declaration of intent" that calls on both countries to invest in hydrogen and establish a "transatlantic Canada-Germany supply corridor" with a view of exporting hydrogen by 2025.

In New Zealand, the Xero Small Business Index shows sales were down 1.5% in the 12 months to July, down from the 4.4% increase in June. Meanwhile, inflationary pressures continue to rise with wage growth above 6.0%.

Despite warnings, financial markets are continuing to adopt a pragmatic approach ahead of tomorrow's US Q2 GDP release, the PCE deflator, and Jerome Powell's Jackson hole speech.

Equity and commodity markets are broadly flat, although it should be noted that US gasoline futures extended losses to USD2.80 per gallon after peaking above USD4.00 in June. The NZD and AUD have eased lower, while the USD firmed off a stronger US 10-year yield with the T-bond up 6bps to 3.11%.



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Daily Rates

Thursday 25 August 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.10					CAD	0.8018	0.8957
NZD/USD	0.6186	-0.0002	-0.0002	-0.0002	0.0000	CHF	0.5979	0.6678
NZD/AUD	0.8953	-0.0006	-0.0013	-0.0023	-0.0033	CNY	4.2426	4.7365
NZD/JPY	84.83	-0.22	-0.74	-1.70	-3.56	DKK	4.6139	5.1531
NZD/EUR	0.6204	-0.0014	-0.0044	-0.0089	-0.0165	FJD	1.3504	1.5082
NZD/GBP	0.5242	-0.0004	-0.0012	-0.0020	-0.0019	HKD	4.8540	5.4213
						KRW	828.94	925.83
AU TWI	63.20					MYR	2.7738	3.0980
AUD/USD	0.6813	0.0002	0.0008	0.0014	0.0006	NOK	5.9895	6.6896
AUD/NZD	0.6535	0.0006	0.0015	0.0024	0.0016	SEK	6.5595	7.3262
AUD/JPY	94.74	-0.19	-0.69	-1.67	-3.78	SGD	0.8620	0.9627
AUD/EUR	0.6928	-0.0012	-0.0039	-0.0084	-0.0169	TWD	18.69	20.88
AUD/GBP	0.5855	-0.0001	-0.0004	-0.0009	-0.0008	ZAR	10.48	11.70
USD Index	108.65					EQUITIES		
EUR/USD	0.9969	0.0019	0.0065	0.0139	0.0252		Index	
USD/JPY	137.11	-0.31	-1.15	-2.68	-5.73	NZX50	11,655	
GBP/USD	1.1799	0.0005	0.0021	0.0036	0.0012	ASX200	6,998	
EUR/GBP	0.8450	0.0012	0.0039	0.0090	0.0199	Dow Jones	33,006	
						S&P 500	4,147	
						FTSE100	7,472	
						DAX 30	13,220	
						Nikkei	28,313	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.06%		2.05%			
90 day bank bills			3.42%		2.44%			
1 year swap			4.05%		3.38%			
2 year swap			4.16%		3.67%			
3 year swap			4.09%		3.69%			
5 year swap			3.98%		3.75%			
10 year swap			3.99%		3.99%			
3 year Govt bond			3.76%		3.26%			
5 year Govt bond			3.76%		3.43%			
10 year Govt bond			3.89%		3.70%			
						COMMODITIES		
							USD	
						Brent Crude	101.56	
						Gold	1,751.24	
						Silver	19.09	
						Iron Ore	105.57	
						CRB Index	319.95	
							NZD	
						NZ Carbon	85.60	

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