

Market Alert

Tuesday 30 August 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6152	-0.0002
NZD/AUD	0.8914	-0.0022
NZD/JPY	84.70	-1.69
NZD/EUR	0.6142	-0.0080
NZD/GBP	0.5256	-0.0021
NZD/CNH	4.2553	-0.0274
AUD/USD	0.6901	0.0014
AUD/EUR	0.6903	-0.0074
EUR/USD	0.9993	0.0126
USD/CNH	6.9169	-0.0409
GBP/USD	1.1704	0.0035
EUR/GBP	0.8538	0.0076

INT RATES	NZ	Australia
OCR/Cash	3.00%	1.85%
90 day bills	3.49%	2.48%
2 year swap	4.32%	3.76%
10 year Govt	4.05%	3.74%

Finally, to wrap up Jackson Hole

The final take-outs from the Jackson Hole symposium turned the attention on to the ECB ahead of their September meeting after ECB member and Governor of Banque de France, Francois Villeroy de Galhau, forecasting a 'significant' September rate hike, and a move above neutral by year end. He stated, "I have no doubt that we at the ECB would, if needed, raise rates further beyond normalization: bringing inflation back to 2.0% is our responsibility; our will and our capacity to deliver on our mandate are unconditional."

We could be there before the end of the year, after another significant step in September." The Finnish governor, Olli Rehn then, added, "We are monitoring the exchange rate. It's already a significant consideration in setting monetary policy" while the Latvian governor, Martins Kazaks, contributed with, "the (interest rate) increase needs to be strong and significant. At least 50 basis points would be appropriate." Although the BoJ Governor, Haruhiko Kuroda, played the 'transitory' card stating, "somewhat miraculously, now we have 2.4% inflation, almost wholly caused by the international commodity prices. We expect that by the end of this year, the inflation rate may approach 2.0-3.0%. Next year, the inflation rate will decelerate towards 1.5%" Finally, SNB, Thomas Jordan, added, "structural factors such as the transition to a greener economy, rising sovereign debt worldwide, the demographic transition and ultimately also the fact that globalization appears to have peaked – at least temporarily – could lead to persistently higher inflationary pressure in the coming years."

Overnight, we also had ECB chief economist, Philip Lane, announce that while, "near-term inflation expectations are quite elevated, long-term expectations remain close to 2.0%"

Interestingly, one of the biggest issues for the ECB is the European price of natural gas, which surprisingly tumbled 18.0% overnight, to below EUR280.00 MWh,

following on from last week's 40.0% price spike! The fall came after Germany announced local gas storage facilities would be at 85.0% by September.

The Dallas Federal Reserve's general business activity index for manufacturing increased to -12.9 in August, up from July's -22.6, although positive sign of improving, yet still remaining in negative territory.

Goldman Sachs forecasts the UK economy will enter a recession in Q4 2022.

Although Australian consumer confidence remains low, it hasn't stopped retail activity after July retail sales increased 1.3% on the month, which was stronger than the expected 0.3% and June's 0.2%.

A Bloomberg poll on the Chinese economy forecast GDP grow will fall to 3.5% in 2022, down from 3.9%, with 2023 unchanged at 5.2%.

Let's be honest, after the build-up to the speech by Fed Chair, Jerome Powell, at Jackson Hole, and Friday's price action, last night was a bit of a dull night! Most of the price action occurred on the Asian open, with interest rates surging higher as the T-bond rose 7bps to 3.11%. In amongst this, NZ yields rallied strongly although Australian yields lagged. The EUR also found some support, firming to parity, as did the NZD and AUD. Equities are mildly lower, while commodities were mixed with the energy sector higher as crude rallied 4.2%.



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Daily Rates

Tuesday 30 August 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.70					CAD	0.8001	0.8956
NZD/USD	0.6152	-0.0001	-0.0001	-0.0002	-0.0012	CHF	0.5958	0.6684
NZD/AUD	0.8914	-0.0004	-0.0013	-0.0022	-0.0030	CNY	4.2472	4.7633
NZD/JPY	84.70	-0.21	-0.73	-1.69	-3.61	DKK	4.5775	5.1348
NZD/EUR	0.6142	-0.0012	-0.0040	-0.0080	-0.0150	FJD	1.3453	1.5091
NZD/GBP	0.5256	-0.0003	-0.0010	-0.0021	-0.0028	HKD	4.8281	5.4159
						KRW	827.61	928.37
AU TWI	63.20					MYR	2.7610	3.0972
AUD/USD	0.6813	0.0002	0.0008	0.0014	0.0005	NOK	6.0002	6.7308
AUD/NZD	0.6535	0.0004	0.0014	0.0024	0.0026	SEK	6.5644	7.3629
AUD/JPY	95.06	-0.19	-0.69	-1.67	-3.81	SGD	0.8588	0.9634
AUD/EUR	0.6903	-0.0011	-0.0035	-0.0074	-0.0148	TWD	18.69	20.96
AUD/GBP	0.5896	-0.0001	-0.0003	-0.0010	-0.0015	ZAR	10.37	11.63
USD Index	108.80					EQUITIES		
EUR/USD	0.9993	0.0018	0.0060	0.0126	0.0224		Index	
USD/JPY	138.73	-0.32	-1.16	-2.73	-5.69	NZX50	11,507	
GBP/USD	1.1704	0.0005	0.0020	0.0035	0.0026	ASX200	6,966	
EUR/GBP	0.8538	0.0012	0.0037	0.0076	0.0162	Dow Jones	32,192	
						S&P 500	4,048	
INTEREST RATES		New Zealand		Australia		FTSE100	7,427	
		Mid		Mid		DAX 30	12,893	
30 day bank bills		3.07%		2.09%		Nikkei	27,879	
90 day bank bills		3.49%		2.48%		COMMODITIES		
1 year swap		4.19%		3.48%			USD	
2 year swap		4.32%		3.76%		Brent Crude	104.86	
3 year swap		4.26%		3.79%		Gold	1,736.03	
5 year swap		4.14%		3.79%		Silver	18.72	
10 year swap		4.13%		3.97%		Iron Ore	105.49	
3 year Govt bond		3.88%		3.38%		CRB Index	323.16	
5 year Govt bond		3.90%		3.52%			NZD	
10 year Govt bond		4.05%		3.74%		NZ Carbon	86.65	

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