

# Market Alert

Friday 16 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5967	0.0010
NZD/AUD	0.8904	-0.0023
NZD/JPY	85.63	-1.78
NZD/EUR	0.5969	-0.0073
NZD/GBP	0.5201	-0.0014
NZD/CNH	4.1851	-0.0147
AUD/USD	0.6702	0.0027
AUD/EUR	0.6702	-0.0066
EUR/USD	0.9996	0.0135
USD/CNH	7.0130	-0.0357
GBP/USD	1.1470	0.0047
EUR/GBP	0.8716	0.0078

  

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.65%	2.80%
2 year swap	4.30%	3.73%
10 year Govt	4.05%	3.76%

## All Blacks and GDP got up

Something, something, French referees, something...

Anyway, New Zealand's GDP beat almost every forecast to expand 1.70% in the June quarter, with only the ever-optimistic RBNZ disappointed with its 1.8% prediction.

Nevertheless, it was much higher than the 1.00% market forecast and a truckload higher than March's -0.2% result, meaning New Zealand avoids a technical recession.

The key areas of expansion were in transport, accommodation, and sports & recreation. The lifting of COVID-19 restrictions during the quarter clearly had an impact on tourism, with transport up almost 20.0%. The services sector saw the biggest jump, climbing 2.7% for the quarter.

In maybe what is a sign of things to come, private consumption, i.e., spending by households, fell 3.2% as the higher cost of mortgages and, let's be honest, everything, started to bite. Falling house prices are also having a negative drag on spending via the wealth effect.

Finance Minister, Grant Robertson, announced there is, "a period of tighter fiscal policy ahead. Difficult decisions are to be made, but I don't want spending cuts." Well, we all know what that means ... higher taxes are coming! And, to compound the misery, we've just had the first New Zealand bank call for the OCR to reach 4.25%.

## Growth forecasts did not

Fitch ratings agency has taken a knife and implemented "deep and wide cuts to their global GDP forecasts," downgrading world GDP growth by 0.50% to 2.4% in 2022, and to just 1.7% in 2023, a cut of 1.0%! They also expect the Eurozone and UK to enter recession later this year with the US suffering a mild recession in mid-2023.

ECB chief economist, Philip Lane, said Eurozone interest rate rises ahead "will be larger, the wider the gap to the terminal rate and the more skewed the risks to the inflation target," while his colleague, Robert Holzmann, added "the ECB underestimated the pace of inflation gains. The Bank could have begun hiking sooner but existing forward guidance limited the Bank's action. The Bank has shown its prepared to go beyond expectations. There is a possibility of stagflation in the Eurozone."

Australian unemployment unexpectedly arose in August to 3.5% from 3.4% previously, despite the economy adding 33,500 jobs. However, the headline might not be as bad as it seems, as more people sought work with the participation rate ticking higher by 0.2% to 66.6% when more people were attracted back into the workforce; 58,800 full time jobs were added, while 25,300 part time jobs were lost, suggesting the jobs market is more robust.

US PPI headlined at -0.1% for August, coming in as expected. For the year, headline PPI was down to 8.7% from July's 9.8%, which suggests more downward pressure on CPI in months to come. Markets have adjusted expectations for the Fed rate hike next week, increasing expectations to 81 basis points, which suggests the market is split on whether the Fed will do a 75bp or 100bp hike, but leaning more toward a 75, giving just a 24.0% chance of a 100bp hike.



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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	70.10					CAD	0.7896	0.8869
NZD/USD	0.5967	0.0001	0.0003	0.0010	0.0018	CHF	0.5734	0.6441
NZD/AUD	0.8904	-0.0004	-0.0013	-0.0023	-0.0044	CNY	4.1824	4.6946
NZD/JPY	85.63	-0.23	-0.78	-1.78	-3.78	DKK	4.4383	4.9849
NZD/EUR	0.5969	-0.0012	-0.0037	-0.0073	-0.0128	FJD	1.3254	1.4887
NZD/GBP	0.5201	-0.0003	-0.0009	-0.0014	-0.0010	HKD	4.6835	5.2604
						KRW	834.78	937.61
AU TWI	62.70					MYR	2.7048	3.0380
AUD/USD	0.6813	0.0004	0.0012	0.0027	0.0037	NOK	6.0692	6.8167
AUD/NZD	0.6535	0.0004	0.0013	0.0023	0.0013	SEK	6.3993	7.1876
AUD/JPY	96.15	-0.22	-0.76	-1.75	-4.07	SGD	0.8407	0.9442
AUD/EUR	0.6702	-0.0011	-0.0033	-0.0066	-0.0133	TWD	18.63	20.92
AUD/GBP	0.5842	-0.0001	-0.0003	-0.0002	-0.0001	ZAR	10.48	11.77
USD Index	109.74					<b>EQUITIES</b>		
EUR/USD	0.9996	0.0021	0.0065	0.0135	0.0239		<b>Index</b>	
USD/JPY	143.48	-0.41	-1.38	-3.20	-6.73	NZX50	11,659	
GBP/USD	1.1470	0.0008	0.0022	0.0047	0.0052	ASX200	6,843	
EUR/GBP	0.8716	0.0012	0.0037	0.0078	0.0166	Dow Jones	30,979	
						S&P 500	3,895	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		FTSE100	7,282	
		<b>Mid</b>		<b>Mid</b>		DAX 30	12,957	
30 day bank bills		3.32%		2.48%		Nikkei	27,876	
90 day bank bills		3.65%		2.80%		<b>COMMODITIES</b>		
1 year swap		4.24%		3.57%			<b>USD</b>	
2 year swap		4.30%		3.73%		Brent Crude	90.95	
3 year swap		4.24%		3.72%		Gold	1,663.08	
5 year swap		4.12%		3.76%		Silver	19.14	
10 year swap		4.11%		4.01%		Iron Ore	100.43	
3 year Govt bond		3.92%		3.38%		CRB Index	301.36	
5 year Govt bond		3.94%		3.51%			<b>NZD</b>	
10 year Govt bond		4.05%		3.76%		NZ Carbon	83.00	

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