

# Market Alert

Friday 2 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6074	-0.0002
NZD/AUD	0.8953	-0.0024
NZD/JPY	85.11	-1.69
NZD/EUR	0.6107	-0.0079
NZD/GBP	0.5263	-0.0017
NZD/CNH	4.2011	-0.0237
AUD/USD	0.6784	0.0016
AUD/EUR	0.6819	-0.0070
EUR/USD	0.9944	0.0125
USD/CNH	6.9162	-0.0370
GBP/USD	1.1539	0.0032
EUR/GBP	0.8616	0.0084

INT RATES	NZ	Australia
OCR/Cash	3.00%	1.85%
90 day bills	3.50%	2.53%
2 year swap	4.37%	3.67%
10 year Govt	4.11%	3.76%

## Trends remain firmly in place!

While last night's data releases were not major market movers on their own, the moves supported the recent rhetoric and contributed to the recent trends we've been seeing. This ultimately meant that the key themes, such as global recessionary fears, higher for longer interest rates hiking cycles, elevated food and energy prices, and geopolitical pressures, remain firmly in place. You know what that means – yes, bond yields and the USD index are higher!

The US 10-year yield is targeting resistance at the 3.35% level, which is the last line of defense ahead of a re-test of June's 11-year high at 3.50%. Currently the T-bond is up 6bps yielding 3.25%, which should underpin long-end yields on the NZ and AU opens this morning.

As we closed out August and entered September, the USD index surged through the 109.00 level to establish a new 20 year high. This saw the GBP retreat to a 2.5 year low, while the JPY collapsed to a 24 year low as USD/JPY surged above the 140.00 level. This saw the NZD/USD re-test its recent low at 0.6060, the AUD/USD test 0.6800, and the EUR/USD fall back below parity. In amongst last night's trend affirmation, equity and commodity markets are trading modestly lower with oil off 3.5%.

## Ahead of tonight's non-farm payrolls

Last night's second tier data underlined a broad-based slowing in most economies. In terms of the actual data, US jobless claims fell to a 9 week low as 232,000 workers filed for unemployment benefits while ISM manufacturing PMIs printed steady at 52.8 in August, the same level as July, but near its 2 year low. New orders returned to expansionary territory as prices softened while firms remained optimistic regarding demand. Lastly, the new Dallas Fed President, Lorie Logan, emphasised "the

Bank's number one priority is to restore price stability" while Goldman Sachs announced that, based on their 'bottom-up inflation model' the "peak for core PCE inflation is behind us. We forecast core PCE inflation of 4.2% in December (vs. 4.5% previously), 2.6% in December 2023 and 2.3% in December 2024."

In the Euro-zone, unemployment fell from 6.7 to 6.6% in July, continuing the steady trend of declining unemployment.

According to Capital Economics, "41 cities, responsible for 32% of China's GDP, are currently in the midst of COVID outbreaks – the highest number since April. The resulting disruption appears modest, but the threat of damaging lockdowns is growing, and even if they are avoided, we expect growth to remain subdued going forward." This probably explains why the Markit manufacturing PMIs plunged into contractionary territory reaching 49.5 in August against 50.2 expected.

The data wasn't any better out of Australia either after Q2 Capex fell 0.3% against forecasts of a 1.5% increase. Meanwhile, July home loans fell 8.5% on the month when a 3.0% contraction had been forecast. Furthermore, the Markit manufacturing PMIs plummeted to 53.8 when it was expected to print at 55.7.

Toyota are to hike the price of steel supplies to parts makers by up to 30.0%.



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# Daily Rates

Friday 2 September 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.50					CAD	0.7991	0.8924
NZD/USD	0.6074	-0.0001	-0.0001	-0.0002	-0.0004	CHF	0.5962	0.6660
NZD/AUD	0.8953	-0.0005	-0.0014	-0.0024	-0.0037	CNY	4.1868	4.6779
NZD/JPY	85.11	-0.22	-0.74	-1.69	-3.67	DKK	4.5413	5.0721
NZD/EUR	0.6107	-0.0013	-0.0039	-0.0079	-0.0149	FJD	1.3256	1.4806
NZD/GBP	0.5263	-0.0003	-0.0010	-0.0017	-0.0019	HKD	4.7671	5.3244
						KRW	824.96	921.39
AU TWI	62.90					MYR	2.7205	3.0386
AUD/USD	0.6813	0.0003	0.0009	0.0016	0.0013	NOK	6.1091	6.8232
AUD/NZD	0.6535	0.0005	0.0015	0.0026	0.0026	SEK	6.5580	7.3246
AUD/JPY	95.05	-0.19	-0.68	-1.65	-3.76	SGD	0.8520	0.9516
AUD/EUR	0.6819	-0.0010	-0.0034	-0.0070	-0.0140	TWD	18.58	20.75
AUD/GBP	0.5878	-0.0001	-0.0002	-0.0003	0.0002	ZAR	10.50	11.73
USD Index	109.66					<b>EQUITIES</b>		
EUR/USD	0.9944	0.0019	0.0061	0.0125	0.0228		<b>Index</b>	
USD/JPY	140.15	-0.34	-1.19	-2.75	-6.00	NZX50	11,610	
GBP/USD	1.1539	0.0006	0.0018	0.0032	0.0013	ASX200	6,846	
EUR/GBP	0.8616	0.0012	0.0039	0.0084	0.0182	Dow Jones	31,601	
						S&P 500	3,946	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		FTSE100	7,149	
		<b>Mid</b>		<b>Mid</b>		DAX 30	12,630	
30 day bank bills		3.11%		2.15%		Nikkei	27,661	
90 day bank bills		3.50%		2.53%		<b>COMMODITIES</b>		
1 year swap		4.19%		3.45%			<b>USD</b>	
2 year swap		4.37%		3.67%		Brent Crude	92.10	
3 year swap		4.35%		3.71%		Gold	1,694.70	
5 year swap		4.25%		3.81%		Silver	17.77	
10 year swap		4.23%		4.05%		Iron Ore	100.82	
3 year Govt bond		3.97%		3.33%		CRB Index	304.89	
5 year Govt bond		3.99%		3.49%			<b>NZD</b>	
10 year Govt bond		4.11%		3.76%		NZ Carbon	87.10	

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