

Market Alert

Tuesday 20 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5958	0.0009
NZD/AUD	0.8860	-0.0024
NZD/JPY	85.34	-1.79
NZD/EUR	0.5945	-0.0071
NZD/GBP	0.5210	-0.0015
NZD/CNH	4.1745	-0.0211
AUD/USD	0.6725	0.0027
AUD/EUR	0.6707	-0.0063
EUR/USD	1.0021	0.0135
USD/CNH	7.0048	-0.0454
GBP/USD	1.1435	0.0049
EUR/GBP	0.8764	0.0078

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.72%	2.89%
2 year swap	4.43%	3.80%
10 year Govt	4.11%	3.75%

I hope everyone enjoyed the pump and ceremony overnight

You must admit, the Brits are very good at organising a royal event.

With Queen Elizabeth laid to rest, it's back to reality with the focus on central banks, specifically the BoE and the Federal Reserve, while rumours are circulating that the Swedish central bank, the Riksbank, may follow Canada's lead and hike 100bps. Ahead of this week's meetings, the markets lacked direction overnight swinging between gains and losses as

sky-high inflation and concerns around wage inflation cemented expectations that both central banks will hike 75bps later this week. At this stage it looks like the US exchanges will follow their European counterparts and close flat, while commodity markets also lacked inspiration and were broadly flat. The US 10 year T-bond also traded above the psychological 3.50% level, although it has since eased back to 3.49%, while the USD rallied, again, for its 5th consecutive 'up' day. And while this saw the NZD weaken to its lowest level against the USD since May 2020, the NZD also weakened on the crosses, while the AUD/USD will close the session in positive territory.

There was also some positive news out of China as it looks like its economy is about to start re-opening after the PBoC cut its 14-day reverse repo interest rate from 2.25% to 2.15%, although it held its 7-day reverse repo rate at 2.0%.

We also had the Chinese state planner announce it has approved nine investment projects, valued at CNY80 billion, while Hong Kong has announced they may scrap their restrictive hotel quarantine and pre-flight COVID-19 PCR test requirements for incoming travellers.

In the US the NAHB housing market index fell for the 9th straight month to 46 in September, its lowest level since May 2020 and below market forecasts

of 47. Goldmans has also joined the chorus calling for the Fed to hike 75bps this week, although they are also forecasting the Fed will follow with successive 50bps hikes in November and December to reach a 4.00%-4.25% range by year end.

ECB Chief Economist, Philip Lane, was explicit stating, "rates could continue to go up at each remaining meeting this year and may rise early next year also. We do think that this is going to dampen demand, we're not going to pretend this is pain free. Demand is now a source of inflationary pressure; it was not 6 or 9-months ago in the same way it now is. A recession cannot be ruled out."

In New Zealand, August services PMIs jumped 4.2 points to 58.6 and our climate change czar, Dr Rod Carr, has called for a reform of our emissions trading scheme. We also had the RBNZ release a statement on "Why climate matters to RBNZ" which is interesting, but surely something like "Why inflation matters to RBNZ" would be far more relevant in the current environment!

Those who were hoping for some relief from food inflation ...

... think again! India, who accounts for approximately 40% of global rice shipments, has banned exports of 'broken' rice and slapped a 20% export tax on several varieties of rice in a bid to control domestic prices.



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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	69.90					CAD	0.7897	0.8912
NZD/USD	0.5958	0.0001	0.0002	0.0009	0.0016	CHF	0.5745	0.6485
NZD/AUD	0.8860	-0.0004	-0.0012	-0.0024	-0.0047	CNY	4.1600	4.6889
NZD/JPY	85.34	-0.24	-0.79	-1.79	-3.88	DKK	4.4205	4.9896
NZD/EUR	0.5945	-0.0013	-0.0037	-0.0071	-0.0131	FJD	1.3219	1.4921
NZD/GBP	0.5210	-0.0003	-0.0009	-0.0015	-0.0016	HKD	4.6763	5.2783
						KRW	827.95	934.53
AU TWI	62.40					MYR	2.7097	3.0585
AUD/USD	0.6813	0.0004	0.0012	0.0027	0.0037	NOK	6.0875	6.8702
AUD/NZD	0.6535	0.0004	0.0013	0.0026	0.0036	SEK	6.4201	7.2466
AUD/JPY	96.29	-0.23	-0.76	-1.78	-4.01	SGD	0.8387	0.9464
AUD/EUR	0.6707	-0.0011	-0.0033	-0.0063	-0.0121	TWD	18.67	21.08
AUD/GBP	0.5880	-0.0001	-0.0002	-0.0002	0.0004	ZAR	10.52	11.88
USD Index	109.62					EQUITIES		
EUR/USD	1.0021	0.0022	0.0066	0.0135	0.0285		Index	
USD/JPY	143.20	-0.41	-1.37	-3.22	-6.75	NZX50	11,532	
GBP/USD	1.1435	0.0008	0.0024	0.0049	0.0057	ASX200	6,720	
EUR/GBP	0.8764	0.0012	0.0038	0.0078	0.0162	Dow Jones	30,987	
						S&P 500	3,899	
						FTSE100	7,237	
						DAX 30	12,803	
						Nikkei	27,568	
						COMMODITIES		
							USD	
						Brent Crude	91.67	
						Gold	1,674.54	
						Silver	19.49	
						Iron Ore	99.26	
						CRB Index	300.15	
							NZD	
						NZ Carbon	83.10	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	3.36%		2.52%
90 day bank bills	3.72%		2.89%
1 year swap	4.35%		3.64%
2 year swap	4.43%		3.80%
3 year swap	4.35%		3.77%
5 year swap	4.20%		3.82%
10 year swap	4.15%		4.02%
3 year Govt bond	4.02%		3.41%
5 year Govt bond	4.01%		3.53%
10 year Govt bond	4.11%		3.75%

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