

Market Alert

Wednesday 28 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5637	0.0007
NZD/AUD	0.8763	-0.0021
NZD/JPY	81.62	-1.73
NZD/EUR	0.5874	-0.0073
NZD/GBP	0.5255	0.0010
NZD/CNH	4.0481	-0.0227
AUD/USD	0.6431	0.0023
AUD/EUR	0.6700	-0.0069
EUR/USD	0.9594	0.0130
USD/CNH	7.1798	-0.0490
GBP/USD	1.0724	-0.0012
EUR/GBP	0.8945	0.0126

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.84%	3.07%
2 year swap	4.73%	4.17%
10 year Govt	4.35%	4.10%

Go to the Winchester ...

... Have a nice cold pint and wait for all this to blow over.

As volatility remains high across markets, that sounds like the best course of action!

Comments from the RBNZ Governor, Adrian Orr, yesterday during the local session hinted at a possible pivot in rhetoric. He said *"we still have some work to do but the good news is because we've done so much already, the tightening cycle is very mature, it's well advanced"* which is quite significant in that the FX market is already

positioning for the RBNZ to be the first central bank to U-turn into a dovish stance with the expectation the conversation will eventually turn to talk of rate cuts. The RBNZ is not due to update its OCR projections until late November, however, is expected to hike another 50bp at its Monetary Policy Review next Wednesday (2pm local time). Unfortunately, no press conference accompanying the decision, so we will not be blessed with Adrian Orr's smiling face and cavalier attitude.

The world bank is on the 'weaker Chinese growth' bandwagon, after it took an axe to its Chinese GDP forecast for 2022, chopping it from 5.0% to 2.8%. Its rationale was *"due mainly to a sharp slowdown in China, caused by its strict zero COVID-19 rules that have disrupted industrial production, domestic sales and exports."*

The BOJ giveth, the BOJ taketh away

Japan is sending mixed messages to the market, with a fresh commitment to ultra-loose monetary policy while at the same time hinting, they may not be done with intervention in the FX markets. The BOJ reaffirmed, yet again, its commitment to ultra-loose monetary policy, stepping into bond markets with an unscheduled JGB buying operation to drive yields lower, which is weighing on the Yen. The Finance Minister, Shunichi Suzuki, said he will continue to monitor FX markets,

suggesting more intervention is on the cards. The BOJ stepped into the FX markets last week to support the Yen for the first time since 1998, buying JPY3.6 trillion, which sent the USD/JPY 5 big figures lower from a high near 146.00. The pair is back to 144.86 almost unwinding the intervention move as the monetary policy stance counteracts the intervention.

In the US, much like the rest of the world, it is not looking promising. The US 10-year yields are fast approaching 4.0% and is currently at levels last seen in October 2008 as expectations for higher interest rates continue with markets pricing another 75bps hike in November. Hawkish comments from the Fed confirmed their commitment to fighting stubbornly high inflation. Durable goods orders declined 0.2% month-over-month in August of 2022 for a second consecutive month, albeit less of a contraction than markets were expecting.

The US dollar index is currently back above 114.00 as the dollar goes from strength to strength against the major currencies. The safe haven asset demand continued to support the currency as markets rushed for its safety amid a highly uncertain global economic outlook and mounting recession risks. The NZD is currently at 0.5638 while the AUD is at 0.6434 as both pairs near lows last seen at the onset of the pandemic in 2020.



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Daily Rates

Wednesday 28 September 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	68.00					CAD	0.7729	0.8820
NZD/USD	0.5637	0.0000	0.0002	0.0007	0.0005	CHF	0.5588	0.6375
NZD/AUD	0.8763	-0.0004	-0.0012	-0.0021	-0.0027	CNY	4.0477	4.6224
NZD/JPY	81.62	-0.24	-0.77	-1.73	-3.77	DKK	4.3682	4.9835
NZD/EUR	0.5874	-0.0013	-0.0037	-0.0073	-0.0131	FJD	1.2846	1.4656
NZD/GBP	0.5255	-0.0003	-0.0002	0.0010	0.0047	HKD	4.4249	5.0482
						KRW	803.39	916.55
AU TWI	61.80					MYR	2.5981	2.9640
AUD/USD	0.6813	0.0003	0.0010	0.0023	0.0024	NOK	6.0913	6.9493
AUD/NZD	0.6535	0.0004	0.0013	0.0024	0.0018	SEK	6.4094	7.3122
AUD/JPY	93.13	-0.24	-0.77	-1.76	-4.02	SGD	0.8111	0.9254
AUD/EUR	0.6700	-0.0013	-0.0036	-0.0069	-0.0132	TWD	17.88	20.40
AUD/GBP	0.5997	-0.0001	0.0005	0.0023	0.0071	ZAR	10.16	11.59
USD Index	114.14					EQUITIES		
EUR/USD	0.9594	0.0022	0.0063	0.0130	0.0220		Index	
USD/JPY	144.80	-0.43	-1.41	-3.25	-6.90	NZX50	11,214	
GBP/USD	1.0724	0.0006	0.0002	-0.0012	-0.0088	ASX200	6,496	
EUR/GBP	0.8945	0.0014	0.0053	0.0126	0.0276	Dow Jones	29,167	
						S&P 500	3,649	
						FTSE100	6,985	
						DAX 30	12,140	
						Nikkei	26,572	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.47%		2.68%			
90 day bank bills			3.84%		3.07%			
1 year swap			4.60%		3.92%			
2 year swap			4.73%		4.17%			
3 year swap			4.66%		4.17%			
5 year swap			4.54%		4.22%			
10 year swap			4.49%		4.41%			
3 year Govt bond			4.31%		3.75%			
5 year Govt bond			4.29%		3.89%			
10 year Govt bond			4.35%		4.10%			
						COMMODITIES		
							USD	
						Brent Crude	86.41	
						Gold	1,630.59	
						Silver	18.44	
						Iron Ore	99.01	
						CRB Index	285.55	
							NZD	
						NZ Carbon	81.00	

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