

# Market Alert

Thursday 29 September 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5721	0.0007
NZD/AUD	0.8776	-0.0021
NZD/JPY	82.47	-1.77
NZD/EUR	0.5879	-0.0074
NZD/GBP	0.5258	0.0008
NZD/CNH	4.1067	-0.0204
AUD/USD	0.6518	0.0023
AUD/EUR	0.6696	-0.0068
EUR/USD	0.9730	0.0131
USD/CNH	7.1798	-0.0439
GBP/USD	1.0878	-0.0009
EUR/GBP	0.8943	0.0125

  

INT RATES	NZ	Australia
OCR/Cash	3.00%	2.35%
90 day bills	3.86%	3.06%
2 year swap	4.79%	3.97%
10 year Govt	4.41%	4.18%

## The BoE pledges unlimited bond-buying ...

... to avert an imminent crash! Wait a minute ... the BoE is raising interest rates and undertaking QE at the same time? Now the world really has gone crazy!

With UK asset prices in freefall following PM's Liz Truss's tax cuts, rumours began circulating that the central bank had been warned that that an investment fund may not have been able to make its collateral calls forcing the fund to dump its holding of UK government bonds causing a run-on the gilt market! The BoE intervention

followed criticism on Tuesday from the IMF, which argued that Britain's budget could increase inequality and worsen inflation, while Moody's also waded in overnight with a warning about the UK's soaring debt levels. With the PM and Government ministers conveniently 'unavailable,' the BoE took the initiative announcing it would carry out temporary purchases of long-dated UK government bonds in order to restore orderly market conditions. This saw the BoE become the latest authority to intervene in its own bond market purchasing just over GBP1.0 billion of securities with maturities of 20 years or more with the central bank committed to purchase up to GBP5.0 billion of gilts a day until 14-October ... yes, that a GBP65.0 billion rescue plan!

This saw the 10-year gilt yield fall from its 14-year high at 4.57% to 4.00%, while the move also impacted international markets with the US 10-year yield falling 22bps to 3.74%, while the German bund fell 10bps to 2.155% and the 10-year JGB remained at its 0.25% yield. And with bond yields easing back, equity markets finally ventured into positive territory with European bourses up 0.25%-0.75% while US markets surged 1.50%.

This positivity also flowed through to commodity markets with WTI and Brent rallying 4.9% and 3.9% respectively, while the US-dollar took a pause from

its relentless grind higher, which saw the NZD/USD and AUD/USD recover from their lows of 0.5565 and 0.6363, to be positive on the day! Incredibly, the EUR/USD has surged 1.5 cents to be at 0.9745!

While these moves may not necessarily signal a topping out of interest rates and a bottoming out for the commodity currencies, at least it represents a pause from the relentless trends that have evolved over the last couple of weeks that were starting to become stretched with the extreme price action.

## Let's not forget about the data!

There were also some actual data releases last night, not that anyone was paying attention though! In the US, pending home sales fell 2.0% in August in what was the third consecutive monthly decline and below market forecasts of a 1.4% fall, while the German GfK consumer confidence index fell to -42.5 in October to reach its fourth consecutive record low as it exceeded expectations of -39 as concerns mounted over surging inflation, high energy prices, as well as persistent recession fears!

We also had the German economic research institute announce it expects Germany to enter a recession with GDP expected to dip to -0.2% in Q3, -0.4% in Q4, and -0.4% in Q1 2023.



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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	67.40					CAD	0.7791	0.8875
NZD/USD	0.5721	0.0000	0.0002	0.0007	-0.0001	CHF	0.5589	0.6368
NZD/AUD	0.8776	-0.0004	-0.0011	-0.0021	-0.0033	CNY	4.0831	4.6644
NZD/JPY	82.47	-0.24	-0.77	-1.77	-3.82	DKK	4.3713	4.9803
NZD/EUR	0.5879	-0.0013	-0.0037	-0.0074	-0.0133	FJD	1.2935	1.4737
NZD/GBP	0.5258	-0.0003	-0.0002	0.0008	0.0033	HKD	4.4908	5.1164
						KRW	815.40	929.00
AU TWI	61.20					MYR	2.6477	3.0165
AUD/USD	0.6813	0.0003	0.0009	0.0023	0.0025	NOK	6.1063	6.9569
AUD/NZD	0.6535	0.0004	0.0012	0.0024	0.0033	SEK	6.3981	7.2894
AUD/JPY	93.27	-0.23	-0.77	-1.80	-4.01	SGD	0.8206	0.9349
AUD/EUR	0.6696	-0.0012	-0.0034	-0.0068	-0.0128	TWD	18.14	20.66
AUD/GBP	0.5991	-0.0001	0.0005	0.0023	0.0060	ZAR	10.20	11.62
USD Index	112.75					<b>EQUITIES</b>		
EUR/USD	0.9730	0.0021	0.0062	0.0131	0.0220		<b>Index</b>	
USD/JPY	144.15	-0.41	-1.40	-3.25	-6.71	NZX50	11,120	
GBP/USD	1.0878	0.0005	-0.0002	-0.0009	-0.0071	ASX200	6,462	
EUR/GBP	0.8943	0.0014	0.0051	0.0125	0.0262	Dow Jones	29,602	
						S&P 500	3,702	
						FTSE100	7,005	
						DAX 30	12,183	
						Nikkei	26,174	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>			
			<b>Mid</b>		<b>Mid</b>			
30 day bank bills			3.47%		2.69%			
90 day bank bills			3.86%		3.06%			
1 year swap			4.63%		3.84%			
2 year swap			4.79%		3.97%			
3 year swap			4.73%		3.99%			
5 year swap			4.61%		4.10%			
10 year swap			4.57%		4.33%			
3 year Govt bond			4.34%		3.76%			
5 year Govt bond			4.33%		3.92%			
10 year Govt bond			4.41%		4.18%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	89.18	
						Gold	1,659.29	
						Silver	18.90	
						Iron Ore	98.71	
						CRB Index	285.55	
							<b>NZD</b>	
						NZ Carbon	80.00	

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