

Market Alert

Thursday 13 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5604	0.0010
NZD/AUD	0.8930	-0.0042
NZD/JPY	82.32	-1.85
NZD/EUR	0.5781	-0.0073
NZD/GBP	0.5053	0.0000
NZD/CNH	3.9871	-0.0329
AUD/USD	0.6276	0.0041
AUD/EUR	0.6471	-0.0052
EUR/USD	0.9697	0.0138
USD/CNH	7.1774	-0.0709
GBP/USD	1.1086	0.0015
EUR/GBP	0.8744	0.0109

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	3.95%	2.96%
2 year swap	4.84%	3.86%
10 year Govt	4.58%	4.04%

This central bank is not for turning

This morning's FOMC minutes didn't tell us anything new, but they did affirm the Fed's commitment to stamping out inflation. The language was explicit and to the point — they are not going to back down!

US policymakers "reaffirmed their strong commitment" to returning inflation to the Fed's 2.00% goal, with many officials stressing that the cost of taking too little action to bring down inflation likely

outweighed the cost of taking too much action. Officials saw the need to maintain restrictive rates for "some time," with several saying such a stance should be held "as long as necessary" to ensure that inflation was eventually returns to its target. Consensus was to "purposefully" move to a more restrictive stance in the near term, though several officials saw it as "important to calibrate" the pace of tightening as it would become appropriate at some point to access the effects of the cumulative policy adjustments on economic activity and inflation. Although some interest-sensitive categories of spending, such as housing and business fixed investment, had already started to respond to the tightening of financial conditions, a sizable portion of economic activity had yet to be impacted. Furthermore, policymakers backed the continuing shrinkage of the Fed's balance sheet at the current pace, with a "couple" of officials saying it would be appropriate to consider mortgage-backed securities sales after reduction was "well under way."

The minutes offered no new details on the size of the likely rate hike at the November FOMC meeting, although the Fed and market are aligned with hiking to around 4.75% and holding, and for good reason. Prior to the release of the minutes, US producer prices surged 0.4%

in September, exceeding expectations for at 0.2% increase in what was the index's first increase in 3 months, while annual producer inflation remained embedded printing 8.5%, which was slightly lower than August's 8.7%. The core rose 0.3% on the month and 7.2% on the year, which was in line with forecasts.

No let-up as the weekend approaches

Market focus will be on tonight's US CPI data, with the headline number expected to show a slight moderation but the core reading potentially rising slightly despite the material lift in interest rates. Along with tonight's US inflation data, markets will also be nervously awaiting any updates from the Bank of England, after the central bank insisted its bond-buying scheme would come to an end this week, despite the sell-off in government bonds intensifying. While the central bank intervention worked initially, bond yields are now close to or above the highs seen straight after the mini-budget. It is shaping up to be a volatile end to the week!

In other news, the British economy contracted 0.3% in August, while the July number was revised down to 0.1%. Production fell by 1.8%, with manufacturing declining by 1.6%.



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Daily Rates

Thursday 13 October 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.30					CAD	0.7741	0.8670
NZD/USD	0.5604	0.0001	0.0005	0.0010	0.0009	CHF	0.5592	0.6263
NZD/AUD	0.8930	-0.0004	-0.0022	-0.0042	-0.0079	CNY	4.0182	4.4963
NZD/JPY	82.32	-0.24	-0.93	-1.85	-4.00	DKK	4.2980	4.8134
NZD/EUR	0.5781	-0.0012	-0.0043	-0.0073	-0.0140	FJD	1.2862	1.4404
NZD/GBP	0.5053	-0.0003	-0.0008	0.0000	0.0014	HKD	4.3991	4.9266
						KRW	799.05	894.86
AU TWI	59.80					MYR	2.6227	2.9372
AUD/USD	0.6813	0.0004	0.0020	0.0041	0.0057	NOK	6.0416	6.7661
AUD/NZD	0.6535	0.0004	0.0025	0.0050	0.0098	SEK	6.3544	7.1164
AUD/JPY	92.17	-0.23	-0.84	-1.65	-3.70	SGD	0.8042	0.9007
AUD/EUR	0.6471	-0.0010	-0.0033	-0.0052	-0.0100	TWD	17.83	19.97
AUD/GBP	0.5659	-0.0001	0.0004	0.0026	0.0068	ZAR	10.25	11.48
USD Index	113.20					EQUITIES		
EUR/USD	0.9697	0.0021	0.0079	0.0138	0.0238		Index	
USD/JPY	146.84	-0.45	-1.78	-3.53	-7.29	NZX50	10,873	
GBP/USD	1.1086	0.0007	0.0023	0.0015	-0.0030	ASX200	6,648	
EUR/GBP	0.8744	0.0012	0.0052	0.0109	0.0236	Dow Jones	29,303	
						S&P 500	3,599	
						FTSE100	6,826	
						DAX 30	12,172	
						Nikkei	26,397	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			3.57%		2.72%			
90 day bank bills			3.95%		2.96%			
1 year swap			4.76%		3.56%			
2 year swap			4.84%		3.86%			
3 year swap			4.77%		3.93%			
5 year swap			4.63%		4.00%			
10 year swap			4.62%		4.30%			
3 year Govt bond			4.43%		3.45%			
5 year Govt bond			4.44%		3.68%			
10 year Govt bond			4.58%		4.04%			
						COMMODITIES		
							USD	
						Brent Crude	92.56	
						Gold	1,672.59	
						Silver	19.00	
						Iron Ore	96.97	
						CRB Index	303.10	
							NZD	
						NZ Carbon	80.40	

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