

Market Alert

Tuesday 18 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5630	0.0013
NZD/AUD	0.8949	-0.0045
NZD/JPY	83.79	-1.91
NZD/EUR	0.5719	-0.0071
NZD/GBP	0.4953	-0.0007
NZD/CNH	4.0558	-0.0403
AUD/USD	0.6290	0.0045
AUD/EUR	0.6388	-0.0048
EUR/USD	0.9843	0.0144
USD/CNH	7.2048	-0.0876
GBP/USD	1.1361	0.0035
EUR/GBP	0.8662	0.0094

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.04%	2.99%
2 year swap	4.99%	3.94%
10 year Govt	4.61%	4.11%

Well, that's a heck of a U-turn!

The UK's new Chancellor, Jeremy Hunt, completed a full 180, announcing almost all the controversial tax measures announced in the previous 'mini-budget' would be reversed on the basis that the UK will, "always pay its own way!" The reversed tax cuts will save GBP32 billion a year with only two of the original policies remaining, while the expensive energy support package to subsidise consumer and business energy bills would run until April (not the original two years) when it would be reviewed to ensure the "cost to the taxpayer is significantly less than

planned." Which raises the real question ... how long has Liz Truss got left?

Financial markets liked the 'cut of the new Chancellor's cloth' after he overturned almost everything Liz Truss pledged in her leadership campaign and mini-budget. Equity markets across Europe and the US rallied between 1.75%-3.5%, while bond yields dropped, with the 10-year gilt falling 35bps to 3.97%, the Australian 10-year yield fell 3bps to 3.985%, while the 10-year Treasury bond flat-lined at 4.01%. Which makes the NZ 10-year yield seem a little out of whack at 4.51%! The USD also took a pause from its relentless grind higher, actually falling over one percent, which saw the NZD/USD bounce back above the 0.5600 level and the AUD/USD approach 0.6300. Oil and gold also traded higher.

In other news, The NY Fed's Empire manufacturing index fell more than expected, to -9.1 in October from -1.5 in September, while the yen fell further as USD/JPY reached a new 32-year high at 148.90 as it approaches the key psychological level of 150.00, which surely raises the possibility of further BoJ intervention. This saw Japanese prime minister, Fumio Kishida, announce, "Rapid forex moves are undesirable. We will take steps against speculative FX moves as needed."

The Bank of Canada's Q3 business survey highlighted that "Most businesses think

a recession in Canada is likely within 12 months. Pressures on prices and wages have started to ease but firms' inflation expectations remain high."

The Chinese state banks have been intervening in the swaps market to try and stabilise the yuan currency by swapping the yuan for USDs via forwards and selling those USDs in the spot market today. This is interesting when one considers the National Party Congress started at the weekend. The USD/CNY is at 7.2000. Chinese trade data was delayed on Friday, and, word on the street is we won't get the Q3 GDP figures this week. In saying all that, China did announce they'll be increasing their reserve capacities for key commodities ... hopefully that will include some dairy products!

And speaking of U-turn's ...

In New Zealand, the Government's controversial 3-waters plan has hit another hurdle after new Auckland mayor, Wayne Brown, asked the city's water management company, Watercare, to stop working on it. The Government's plan, which would take water services out of the hands of councils and create four publicly owned companies, is, according to Mr. Brown, "not in the best interests of Watercare, its shareholder or its customers for it to spend any more money on the doomed proposal."



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Tuesday 18 October 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.10					CAD	0.7722	0.8627
NZD/USD	0.5630	0.0001	0.0005	0.0013	0.0016	CHF	0.5606	0.6265
NZD/AUD	0.8949	-0.0005	-0.0022	-0.0045	-0.0086	CNY	4.0496	4.5215
NZD/JPY	83.79	-0.27	-0.93	-1.91	-4.13	DKK	4.2532	4.7518
NZD/EUR	0.5719	-0.0012	-0.0041	-0.0071	-0.0136	FJD	1.2895	1.4407
NZD/GBP	0.4953	-0.0003	-0.0008	-0.0007	-0.0007	HKD	4.4195	4.9376
						KRW	805.57	900.01
AU TWI	59.60					MYR	2.6545	2.9657
AUD/USD	0.6813	0.0005	0.0021	0.0045	0.0070	NOK	5.9231	6.6186
AUD/NZD	0.6535	0.0005	0.0025	0.0052	0.0095	SEK	6.2749	7.0095
AUD/JPY	93.61	-0.25	-0.81	-1.67	-3.80	SGD	0.7997	0.8936
AUD/EUR	0.6388	-0.0010	-0.0030	-0.0048	-0.0093	TWD	18.00	20.11
AUD/GBP	0.5535	0.0000	0.0005	0.0020	0.0045	ZAR	10.15	11.34
USD Index	112.07					EQUITIES		
EUR/USD	0.9843	0.0023	0.0078	0.0144	0.0252		Index	
USD/JPY	148.84	-0.51	-1.78	-3.69	-7.73	NZX50	10,786	
GBP/USD	1.1361	0.0007	0.0026	0.0035	0.0037	ASX200	6,664	
EUR/GBP	0.8662	0.0014	0.0048	0.0094	0.0193	Dow Jones	30,203	
						S&P 500	676	
						FTSE100	6,920	
						DAX 30	12,649	
						Nikkei	26,776	
						COMMODITIES		
							USD	
						Brent Crude	91.56	
						Gold	1,651.45	
						Silver	18.63	
						Iron Ore	95.93	
						CRB Index	297.53	
							NZD	
						NZ Carbon	81.00	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	3.57%		2.77%
90 day bank bills	4.04%		2.99%
1 year swap	4.87%		3.65%
2 year swap	4.99%		3.94%
3 year swap	4.90%		3.98%
5 year swap	4.77%		4.04%
10 year swap	4.75%		4.31%
3 year Govt bond	4.47%		3.53%
5 year Govt bond	4.48%		3.75%
10 year Govt bond	4.61%		4.11%

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED