

# Market Alert

Thursday 27 October 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5830	0.0008
NZD/AUD	0.8978	-0.0044
NZD/JPY	85.27	-2.01
NZD/EUR	0.5780	-0.0074
NZD/GBP	0.5012	-0.0016
NZD/CNH	4.1953	-0.0388
AUD/USD	0.6493	0.0040
AUD/EUR	0.6436	-0.0051
EUR/USD	1.0084	0.0141
USD/CNH	7.1958	-0.0763
GBP/USD	1.1628	0.0049
EUR/GBP	0.8670	0.0082

  

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.60%
90 day bills	4.16%	3.08%
2 year swap	5.15%	4.03%
10 year Govt	4.56%	4.01%

## Ahead of tonight's ECB meeting...

...the Bank of Canada unexpectedly slowed the pace of interest rate hikes, raising its cash rate by 50bps to 3.75%, less than the 75bps expected, amid emerging signals that higher interest rates may be about to put the Canadian economy into a recession. Still, borrowing costs were pushed to their highest levels since 2008, while policymakers advised future hikes would be impacted by how tighter monetary policy was working to ease inflation.

So, while the BoC took a leaf out of the RBA's playbook on how to slow down the hiking cycle while waiting for the full impact of the previous hikes to

flow through, the unexpected hic-up of inflation has thrown a curve ball at the RBA after Australian headline inflation reached 7.3% on the year after rising 1.8% on the quarter ... which does leave the RBA in a rather tight spot! But even worse, core inflation also outperformed expectations, reaching 6.1% on the year and 1.8% on the quarter, which may pressure the RBA to revert to a 50bp tightening next month.

Across the Tasman, New Zealand business confidence fell to -42.7 in October, from September's -36.7, but while confidence remains subdued, "firms are clearly still very busy, and are soldiering on." In terms of companies own outlook, the index fell to -2.5, from -1.8 The report also saw inflation expectations increase to 6.13%, from 5.98%, as "Inflation pressures remain intense. Pricing intentions are gradually easing but are not yet indicating a meaningful fall in inflation."

The BoJ essentially announced it is committed to its yield curve control programme after it boosted purchases of long-term domestic bonds but, in a move that will surely dent USD/JPY, 70% of Japanese life insurers have said they plan to cut their holdings of foreign bonds, which is predominately US Treasuries.

In the US, the 30-year mortgage rate jumped by 22bps to 7.16%, which no doubt contributed to the seasonally adjusted 10.9% fall in new home sales. But don't worry, Morgan Stanley has turned 'bullish' on the S&P500 despite

expecting a "sloppy earnings season!"

The PBoC are also thought to have intervened in the currency markets, with Chinese state banks selling US dollars to support the yuan according to a Reuters report.

## The markets remain focused on yields!

US equity markets were predominately flat overnight, although the Nasdaq and S&P500 came under selling pressure following disappointing earnings results from Microsoft and Alphabet. Commodities rallied, with oil 3.0% higher despite the announcement US oil exports surged to record highs. Interestingly, most of the overnight activity was focused on the bond markets as yields fell on the perception that other central banks will follow the RBA and BoC's lead, which saw the US 10-year Treasury yield fall 8bps to 4.03% and the 10-year gilt ease 5bps to 3.58%. This contributed to a weaker USD Index, which fell 1.15% to close at 109.6, below its initial support at 110.0, which helped the AUD/USD and NZD/USD rally.



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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	69.00					CAD	0.7901	0.8801
NZD/USD	0.5830	0.0002	0.0005	0.0008	-0.0002	CHF	0.5748	0.6403
NZD/AUD	0.8978	-0.0004	-0.0020	-0.0044	-0.0085	CNY	4.1848	4.6639
NZD/JPY	85.27	-0.26	-0.97	-2.01	-4.42	DKK	4.2991	4.7880
NZD/EUR	0.5780	-0.0011	-0.0039	-0.0074	-0.0152	FJD	1.3116	1.4607
NZD/GBP	0.5012	-0.0002	-0.0010	-0.0016	-0.0028	HKD	4.5764	5.0969
						KRW	823.35	916.98
AU TWI	61.30					MYR	2.7471	3.0595
AUD/USD	0.6813	0.0005	0.0020	0.0040	0.0056	NOK	5.9730	6.6523
AUD/NZD	0.6535	0.0004	0.0024	0.0050	0.0094	SEK	6.3334	7.0536
AUD/JPY	94.97	-0.25	-0.88	-1.81	-4.09	SGD	0.8186	0.9117
AUD/EUR	0.6436	-0.0009	-0.0029	-0.0051	-0.0112	TWD	18.72	20.85
AUD/GBP	0.5582	0.0000	0.0001	0.0009	0.0019	ZAR	10.45	11.64
USD Index	109.64					<b>EQUITIES</b>		
EUR/USD	1.0084	0.0022	0.0077	0.0141	0.0262		<b>Index</b>	
USD/JPY	146.21	-0.49	-1.80	-3.69	-7.57	NZX50	11,047	
GBP/USD	1.1628	0.0009	0.0033	0.0049	0.0055	ASX200	6,811	
EUR/GBP	0.8670	0.0012	0.0040	0.0082	0.0176	Dow Jones	31,839	
						S&P 500	3,837	
						FTSE100	7,056	
						DAX 30	13,196	
						Nikkei	27,432	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>			
			<b>Mid</b>		<b>Mid</b>			
30 day bank bills			3.78%		2.86%			
90 day bank bills			4.16%		3.08%			
1 year swap			5.13%		3.84%			
2 year swap			5.15%		4.03%			
3 year swap			5.04%		4.02%			
5 year swap			4.85%		4.14%			
10 year swap			4.78%		4.42%			
3 year Govt bond			4.56%		3.51%			
5 year Govt bond			4.52%		3.68%			
10 year Govt bond			4.56%		4.01%			
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	95.65	
						Gold	1,666.14	
						Silver	19.55	
						Iron Ore	94.61	
						CRB Index	294.97	
							<b>NZD</b>	
						NZ Carbon	82.00	

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