

# Market Alert

Wednesday 2 November 2022

CURRENCIES	Spot	6mths
NZD/USD	0.5839	0.0014
NZD/AUD	0.9130	-0.0041
NZD/JPY	86.58	-2.05
NZD/EUR	0.5912	-0.0070
NZD/GBP	0.5088	-0.0016
NZD/CNH	4.2542	-0.0413
AUD/USD	0.6395	0.0044
AUD/EUR	0.6472	-0.0049
EUR/USD	0.9878	0.0140
USD/CNH	7.3056	-0.0885
GBP/USD	1.1467	0.0059
EUR/GBP	0.8610	0.0075

  

INT RATES	NZ	Australia
OCR/Cash	3.50%	2.85%
90 day bills	4.17%	3.18%
2 year swap	5.12%	4.00%
10 year Govt	4.36%	3.84%

## A conservative Governor is hard to find these days!

But first, if anyone sees me walking the street of Auckland's CBD today, leave me alone ... I'll be on my way to the Bank to increase the mortgage following yesterday's thrashing at the Melbourne Cup! Speaking of Lunar Flare, what was I thinking? It was scratched! But don't worry, this time next year we'll be millionaires, Rodder's!

The RBA played to the conservatives with a 25bps hike lifting the cash rate to 2.85% from 2.60%, its highest level since April 2013. Statement from the RBA highlighted more hikes are coming as, "the Board expects to increase interest rates

further over the period ahead. The size and timing of future interest rate increases will continue to be determined by the incoming data and the Board's assessment of the outlook for inflation and the labour market." While the RBA is worried about the global economy, they cannot predict how Australian households will respond to higher mortgage costs and lower house prices as, "people are finding jobs, gaining more hours of work, and receiving higher wages. Many households have also built up large financial buffers and the saving rate remains higher than it was before the pandemic." Ultimately, the RBA's outlook will be driven by the global economy, household spending, and wage/price setting behaviours! The RBA also revised down its GDP outlook to 3.0% this year and 1.5% in 2023 and 2024, with inflation forecast to be 4.75% over 2023 and just above 3.0% in 2024.

In other Australian headlines, October manufacturing PMIs eased to 52.7 from 53.5, CBA announced internal credit and debit card spending remained elevated. Meanwhile New Zealand building consents increased 3.8% in September following August's 1.6% contraction. Dairy prices remain under pressure after last night's GDT auction saw a further -3.9% easing following its prior -4.6% contraction! In amongst the detail, SMP was -8.5% lower, WMP eased -3.4%, while butter firmed 0.2%.

## The good news, the bad news, and everything else!

There is always good news, and the latest is that Chinese Caixin manufacturing PMIs increased to 49.2 in October from 48.1. The bad news, however, is that it remains in contractionary territory. The Yuan also continues to plummet like a stone falling to 7.35 against the USD!

In the US, ISM manufacturing PMIs remain in expansionary territory easing to 50.2 in October from September's 50.9 although new orders declined while price pressures eased for the 7th straight month. The Fed's job just got a little harder after US job vacancies unexpectedly rose by 437,000 to 10.72 million in September beating market expectations of 9.75 million.

While European equity markets enjoyed a positive session, US markets remain under pressure this morning after economist of the moment, Mohamed El-Erian, stated the probability of a US recession is 'uncomfortably high!' But that's not where the real action was after the BoE sold GBP750 million worth of government bonds at its first QT auction, with the bids 3.26x times the amount offered. The RBA's 'dovish' approach drove NZD/AUD through the 200-day moving average and above the 0.9125 level, or below 1.1000, to cement the trend. Against the USD, the NZD firmed while the AUD flatlined.

# Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.10					CAD	0.7956	0.8713
NZD/USD	0.5839	0.0002	0.0009	0.0014	0.0020	CHF	0.5839	0.6395
NZD/AUD	0.9130	-0.0005	-0.0018	-0.0041	-0.0080	CNY	4.2498	4.6563
NZD/JPY	86.58	-0.27	-0.97	-2.05	-4.33	DKK	4.3998	4.8188
NZD/EUR	0.5912	-0.0011	-0.0036	-0.0070	-0.0141	FJD	1.3147	1.4397
NZD/GBP	0.5088	-0.0003	-0.0010	-0.0016	-0.0028	HKD	4.5835	5.0192
						KRW	827.18	905.79
AU TWI	61.50					MYR	2.7652	3.0276
AUD/USD	0.6813	0.0006	0.0022	0.0044	0.0070	NOK	6.0438	6.6193
AUD/NZD	0.6535	0.0005	0.0020	0.0046	0.0084	SEK	6.4338	7.0454
AUD/JPY	94.80	-0.24	-0.86	-1.83	-3.97	SGD	0.8260	0.9045
AUD/EUR	0.6472	-0.0008	-0.0028	-0.0049	-0.0100	TWD	18.79	20.57
AUD/GBP	0.5573	0.0000	0.0000	0.0008	0.0015	ZAR	10.62	11.63
USD Index	111.50					<b>EQUITIES</b>		
EUR/USD	0.9878	0.0022	0.0075	0.0140	0.0261		<b>Index</b>	
USD/JPY	148.25	-0.51	-1.86	-3.85	-7.87	NZX50	11,317	
GBP/USD	1.1467	0.0010	0.0035	0.0059	0.0088	ASX200	6,977	
EUR/GBP	0.8610	0.0011	0.0037	0.0075	0.0156	Dow Jones	32,625	
						S&P 500	13,725	
						FTSE100	7,186	
						DAX 30	13,339	
						Nikkei	27,679	
<b>INTEREST RATES</b>		<b>New Zealand</b>		<b>Australia</b>		<b>COMMODITIES</b>		
		<b>Mid</b>		<b>Mid</b>			<b>USD</b>	
30 day bank bills		3.84%		2.96%		Brent Crude	94.68	
90 day bank bills		4.17%		3.18%		Gold	1,648.39	
1 year swap		5.07%		3.71%		Silver	19.68	
2 year swap		5.12%		4.00%		Iron Ore	77.78	
3 year swap		4.99%		3.93%		CRB Index	295.31	
5 year swap		4.77%		4.08%			<b>NZD</b>	
10 year swap		4.67%		4.36%		NZ Carbon	84.60	
3 year Govt bond		4.50%		3.26%				
5 year Govt bond		4.41%		3.44%				
10 year Govt bond		4.36%		3.84%				

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