

# Market Alert

Wednesday 14 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6464	0.0003
NZD/AUD	0.9432	-0.0068
NZD/JPY	87.59	-2.17
NZD/EUR	0.6085	-0.0076
NZD/GBP	0.5230	-0.0018
NZD/CNH	4.5040	-0.0566
AUD/USD	0.6853	0.0052
AUD/EUR	0.6449	-0.0036
EUR/USD	1.0622	0.0137
USD/CNH	6.9671	-0.0905
GBP/USD	1.2358	0.0048
EUR/GBP	0.8594	0.0075

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.54%	3.19%
2 year swap	5.21%	3.62%
10 year Govt	4.21%	3.48%

## US inflation implodes!

Well, not quite, but it did fall substantially to 7.1% in November from 7.7%, having risen 0.1% on the month, as lower energy prices helped offset rising food prices. Core CPI grew 0.2% on the month and 6.0% on the year, compared to a consensus of 0.3% and 6.1%. This suggests the worst may be over and validating the anticipated slowing in the pace of Fed rate hikes.

The RBA published a paper on its Covid supporting Term Funding Facility (TFF) which concluded that the facility failed to boost borrowing by businesses as "it achieved a key objective of providing banks with 3-year, low-cost funding until 30 June

2021, (although) we find no statistically significant evidence that the TFF increased credit supply to businesses." They then added, "nonetheless, the TFF provided an assured source of funding at a time of considerable stress in the financial system and lowered banks' funding costs, and any effects on business lending via these channels may not be fully reflected in our results." The RBA acknowledged that the banks got an abundance of cheap money, and while it lowered their funding curve, they didn't increase lending to businesses. Now, if we compare this to the RBNZ's FLP equivalent, I would imagine you would only need to adjust the wording slightly, adding, "the facility was available until December 2022, with the banks' lending the discounted funds into the NZ property market ... which led to increased property speculation and record bank profits before the market imploded!"

In New Zealand, local food inflation was flat on the month, compared to previous 0.8% increase in October although it is still up 10.7% on the year!

NAB Australian business confidence fell to -4.0, Australia monthly consumer sentiment increased to 3.0% on the month from its previous -6.9%, while the weekly Roy Morgan Australian consumer confidence survey increased to 82.9 from 82.7. So, Australians are more confident, not as confident, or somewhere in between!

In other news, the German ZEW Indicator of economic sentiment increased to -23.3 in December from -36.7 in November to reach its highest level since February and surpass forecasts of -26.4. German inflation was confirmed at 11.3% in November, the UK unemployment rate edged higher to 3.7% in the three months to October from 3.6%, and BoC Governor Macklem expects inflation to fall away as, "we should see much clearer evidence next spring that inflation is moving down. We are beginning to see some improvements in the balance in the labour market."

## As financial markets surge ...

Financial markets liked the cut of the US CPI print, which rapidly saw the swaps market downgrade its projected Fed funds peak to 4.85% in May while the 10-year US treasury fell 10bps to 3.50%. Unsurprisingly, the USD-index came under selling pressure, falling -1.0% during the session, which saw the AUD/USD break above the 0.6800 level to be at 0.6865 while the NZD/USD surged to 0.6470. Interestingly, the performance of the AUD saw the NZD/AUD ease back to 0.9430. Equity markets were also buoyed, as were commodities after OPEC urged "vigilance and caution" as it reduced production estimates in the coming months, which naturally saw the price surge 3.0%.



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# Daily Rates

Wednesday 14 December 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.50					CAD	0.8755	0.9282
NZD/USD	0.6464	0.0004	0.0007	0.0003	-0.0004	CHF	0.6008	0.6370
NZD/AUD	0.9432	-0.0008	-0.0025	-0.0068	-0.0142	CNY	4.5005	4.7706
NZD/JPY	87.59	-0.35	-0.97	-2.17	-4.57	DKK	4.5255	4.7979
NZD/EUR	0.6085	-0.0014	-0.0035	-0.0076	-0.0157	FJD	1.3946	1.4785
NZD/GBP	0.5230	-0.0004	-0.0008	-0.0018	-0.0039	HKD	5.0257	5.3281
						KRW	835.60	885.89
AU TWI	61.70					MYR	2.8610	3.0331
AUD/USD	0.6813	0.0009	0.0025	0.0052	0.0083	NOK	6.3254	6.7058
AUD/NZD	0.6535	0.0008	0.0025	0.0070	0.0145	SEK	6.6048	7.0023
AUD/JPY	92.85	-0.30	-0.79	-1.66	-3.53	SGD	0.8706	0.9230
AUD/EUR	0.6449	-0.0010	-0.0021	-0.0036	-0.0073	TWD	19.78	20.97
AUD/GBP	0.5544	0.0000	0.0006	0.0020	0.0040	ZAR	11.14	11.81
USD Index	104.10					<b>EQUITIES</b>		
EUR/USD	1.0622	0.0030	0.0073	0.0137	0.0253		<b>Index</b>	
USD/JPY	135.49	-0.62	-1.65	-3.41	-6.90	NZX50	11,601	
GBP/USD	1.2358	0.0015	0.0030	0.0048	0.0063	ASX200	7,203	
EUR/GBP	0.8594	0.0013	0.0036	0.0075	0.0157	Dow Jones	34,077	
						S&P 500	4,019	
						FTSE100	7,503	
						DAX 30	14,498	
						Nikkei	27,955	
<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		4.35%	3.06%			Brent Crude	80.76	
90 day bank bills		4.54%	3.19%			Gold	1,810.86	
1 year swap		5.30%	3.56%			Silver	23.72	
2 year swap		5.21%	3.62%			Iron Ore	109.47	
3 year swap		4.89%	3.56%			CRB Index	291.61	
5 year swap		4.53%	3.58%				<b>NZD</b>	
10 year swap		4.32%	3.84%			NZ Carbon	83.25	
3 year Govt bond		4.65%	3.16%					
5 year Govt bond		4.35%	3.24%					
10 year Govt bond		4.21%	3.48%					

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