

# Market Alert

Tuesday 20 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6366	0.0002
NZD/AUD	0.9498	-0.0064
NZD/JPY	87.16	-2.20
NZD/EUR	0.6000	-0.0073
NZD/GBP	0.5237	-0.0020
NZD/CNH	4.4504	-0.0573
AUD/USD	0.6704	0.0047
AUD/EUR	0.6316	-0.0035
EUR/USD	1.0610	0.0129
USD/CNH	6.9891	-0.0909
GBP/USD	1.2155	0.0048
EUR/GBP	0.8730	0.0071

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.61%	3.25%
2 year swap	5.22%	3.76%
10 year Govt	4.31%	3.62%

## Ahead of next year's general election

The Labour party must be getting nervous given that New Zealand Q4 consumer confidence plummeted from 87.6 to an all-time low of 75.6, which is impressive given that this survey has been running since 1988. Meanwhile, November services PMIs fell to 53.7, from 57.4, as it "looks as though the services industries will more than make up for any weakness in manufacturing in Q4, such that GDP for that quarter (should) manage an expansion".

It was a similar story in China after business confidence fell to 48.1 in December, from 51.8, which was also the index's lowest level since the survey

began. China, which is in the midst of a mammoth Covid surge, has invited Australian PM Albanese and Foreign Minister Wong to Beijing for talks. And speaking of Covid, Japanese chip maker Renesas has suspended work at its Beijing plant due to a new outbreak. I guess we should anticipate a lot more headlines of this nature in the coming weeks and months as supply chains again come under pressure.

In Europe, EU energy ministers agreed to a 'dynamic' cap on natural gas prices at EUR180 mwh from February onwards, which is nice considering the EU has also joined the long list of organisations expecting a recession to impact in early 2023. We also had ECB member Gediminas Simkus announce, "There will undoubtedly be a 50bps increase in February," while in Germany, the IFO business climate indicator brought in some year-end optimism with its third consecutive rise to reach 88.6, its highest level since August and above market expectations of 87.4.

The British Confederation of Industry's order book survey edged down one point from last month to -6, its weakest level since August but above market expectations of -9, although manufacturers reported a fall in output volumes in the three months to December to its lowest level since Q3 2020.

## Finally, a word of warning

Morgan Stanley is forecasting an earnings recession in 2023. If their EPS forecast of USD195 is correct, equity declines will be much worse than most investors expect, which would naturally see declines in the NZD and AUD. At this stage though, equity markets are content to see out an exhausting year at a slow and steady pace. This saw European equity index's firm, although US bourses eased back as the legacy of last weeks Fed meeting continued to weigh, which contributed to the US 10-year Treasury yield gapping 9bps higher to 3.57%. The NZD and AUD were steady, with the NZD/AUD consolidating at the 0.9500 level - near a 12 month high and a full 8 cents above the late September lows.



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Tuesday 20 December 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.40					CAD	0.8691	0.9153
NZD/USD	0.6366	0.0004	0.0007	0.0002	-0.0014	CHF	0.5922	0.6237
NZD/AUD	0.9498	-0.0007	-0.0024	-0.0064	-0.0130	CNY	4.4436	4.6910
NZD/JPY	87.16	-0.36	-1.00	-2.20	-4.55	DKK	4.4627	4.6982
NZD/EUR	0.6000	-0.0013	-0.0034	-0.0073	-0.0141	FJD	1.3872	1.4609
NZD/GBP	0.5237	-0.0003	-0.0008	-0.0020	-0.0042	HKD	4.9535	5.2150
						KRW	828.53	872.53
AU TWI	61.20					MYR	2.8150	2.9645
AUD/USD	0.6813	0.0009	0.0024	0.0047	0.0072	NOK	6.3044	6.6384
AUD/NZD	0.6535	0.0007	0.0025	0.0068	0.0136	SEK	6.6150	6.9663
AUD/JPY	91.75	-0.30	-0.82	-1.71	-3.60	SGD	0.8634	0.9093
AUD/EUR	0.6316	-0.0009	-0.0021	-0.0035	-0.0064	TWD	19.60	20.64
AUD/GBP	0.5514	0.0001	0.0005	0.0016	0.0028	ZAR	11.05	11.63
USD Index	104.59					<b>EQUITIES</b>		
EUR/USD	1.0610	0.0029	0.0072	0.0129	0.0263		<b>Index</b>	
USD/JPY	136.87	-0.63	-1.71	-3.49	-6.89	NZX50	11,518	
GBP/USD	1.2155	0.0013	0.0028	0.0048	0.0058	ASX200	7,134	
EUR/GBP	0.8730	0.0014	0.0036	0.0071	0.0128	Dow Jones	32,680	
						S&P 500	3,819	
						FTSE100	7,361	
						DAX 30	13,943	
						Nikkei	27,238	
<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	80.25	
90 day bank bills		4.61%	3.25%			Gold	1,788.27	
1 year swap		5.41%	3.69%			Silver	22.93	
2 year swap		5.22%	3.76%			Iron Ore	110.27	
3 year swap		4.96%	3.72%			CRB Index	293.93	
5 year swap		4.65%	3.69%				<b>NZD</b>	
10 year swap		4.46%	3.97%			NZ Carbon	77.17	
3 year Govt bond		4.75%	3.22%					
5 year Govt bond		4.43%	3.32%					
10 year Govt bond		4.31%	3.62%					

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