

Market Alert

Tuesday 6 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6317	0.0008
NZD/AUD	0.9422	-0.0066
NZD/JPY	86.29	-2.08
NZD/EUR	0.6017	-0.0072
NZD/GBP	0.5185	-0.0018
NZD/CNH	4.4067	-0.0551
AUD/USD	0.6703	0.0055
AUD/EUR	0.6385	-0.0033
EUR/USD	1.0494	0.0138
USD/CNH	6.9769	-0.0952
GBP/USD	1.2176	0.0052
EUR/GBP	0.8616	0.0074

INT RATES	NZ	Australia
OCR/Cash	4.25%	2.85%
90 day bills	4.48%	3.12%
2 year swap	4.99%	3.58%
10 year Govt	4.02%	3.44%

Last night had all of the ups and downs of a roller-coaster ride!

On the Asian open, risk-on assets accelerated following the weekend's news of loosening of Covid restrictions in Beijing, Shenzhen, and Guangzhou, although Goldman's were quick to point out the easing of China's measures was not an abandonment of its zero-Covid policy, "Rather, we see them as clear evidence of the Chinese government preparing for an exit," which is good news considering the November Caixin/Markit services PMIs in China collapsed to 46.7, from October's 48.4.

So while Chinese re-opening optimism was tempered by its poor economic data, US ISM services PMIs unexpectedly rebounded off October's two year low at 54.4, to reach 56.5 in November as business activity increased and employment rebounded. New orders for US manufactured goods also surprised to the upside, rising 1.0% in October following September's modest 0.3% increase. But while the US data was good, equities fell overnight on fears that the Federal Reserve may continue tightening until it steers the economy into a recession, while ex-Secretary of the Treasury, Larry Summers, added to these fears stating, "(the Fed) has a long way to go to get inflation down."

This saw markets turn and risk assets sold, with NZD and AUD bearing the brunt. To provide some context, the NZD/USD fell from a peak of 0.6444 to a low of 0.6302, while the AUD/USD retreated from 0.6852 to 0.6703. The risk of higher US interest rates saw bond yields firm in line with the stronger USD, with the US 10-year Treasury yield 11bps higher at 3.60%. Equity markets also turned negative, while commodities were also under pressure after crude oil fell -3.0% while US natural gas prices fell -10.25%.

Unfortunately, in the Euro-zone retail sales fell by their largest level since December 2021, dropping -1.8% in October, while the ECB's Francois Villeroy de Galhau highlighted the ECB should raise interest rates by 50bps at its 15 December meeting.

In other headlines

The Melbourne Institute's monthly Australian inflation gauge increased 1.0% in November, and 5.9% on the year, up from October's 5.2%. The trimmed mean core inflation increased to 0.7% on the month and 4.9% on the year, which was flat versus its October equivalent. Australian Q3 inventories increased 1.7% against an expected 1.0% gain, while company profits contracted -12.4% on the quarter. Yesterday also saw the release of the Australian S&P/Markit November services PMIs, which improved marginally to 47.6, from 47.2, while the construction sector PMIs rose to 48.2.

In NZ, the news wasn't any better either after export prices plunged -9.4% in NZD terms. The actual commodity index fell -3.9% on the month, following on from October's -3.4% contraction, to produce a -11.5% fall on the year. The balance can be attributed to the appreciation of the currency after the NZD appreciated 4.6% against the Trade Weighted Index.

The UK's Confederation of British Industry is forecasting GDP will contract 0.4% in 2023 and unemployment will peak at 5.0% in late 2023, highlighting "Britain is in stagflation. We will see a lost decade of growth if action isn't taken. Bring on 2023!"



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Tuesday 6 December 2022

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.60					CAD	0.8580	0.9105
NZD/USD	0.6317	0.0003	0.0008	0.0008	-0.0001	CHF	0.5951	0.6316
NZD/AUD	0.9422	-0.0009	-0.0026	-0.0066	-0.0130	CNY	4.4030	4.6907
NZD/JPY	86.29	-0.35	-0.93	-2.08	-4.35	DKK	4.4759	4.7494
NZD/EUR	0.6017	-0.0014	-0.0034	-0.0072	-0.0145	FJD	1.3799	1.4642
NZD/GBP	0.5185	-0.0004	-0.0007	-0.0018	-0.0036	HKD	4.9081	5.2080
						KRW	822.95	873.24
AU TWI	62.00					MYR	2.7580	2.9265
AUD/USD	0.6813	0.0010	0.0027	0.0055	0.0091	NOK	6.2849	6.6689
AUD/NZD	0.6535	0.0009	0.0027	0.0070	0.0135	SEK	6.5682	6.9695
AUD/JPY	91.56	-0.29	-0.75	-1.59	-3.43	SGD	0.8565	0.9089
AUD/EUR	0.6385	-0.0009	-0.0019	-0.0033	-0.0069	TWD	19.29	20.47
AUD/GBP	0.5501	0.0001	0.0007	0.0019	0.0037	ZAR	11.04	11.71
USD Index	105.25					EQUITIES		
EUR/USD	1.0494	0.0030	0.0073	0.0138	0.0261		Index	
USD/JPY	136.59	-0.64	-1.66	-3.46	-7.11	NZX50	11,678	
GBP/USD	1.2176	0.0014	0.0031	0.0052	0.0086	ASX200	7,326	
EUR/GBP	0.8616	0.0013	0.0036	0.0074	0.0150	Dow Jones	33,939	
						S&P 500	3,994	
						FTSE100	7,568	
						DAX 30	14,448	
						Nikkei	27,820	
						COMMODITIES		
							USD	
						Brent Crude	83.16	
						Gold	1,766.98	
						Silver	22.21	
						Iron Ore	107.44	
						CRB Index	299.18	
							NZD	
						NZ Carbon	81.00	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	4.35%		3.01%
90 day bank bills	4.48%		3.12%
1 year swap	5.18%		3.49%
2 year swap	4.99%		3.58%
3 year swap	4.68%		3.54%
5 year swap	4.36%		3.52%
10 year swap	4.20%		3.79%
3 year Govt bond	4.42%		3.05%
5 year Govt bond	4.17%		3.15%
10 year Govt bond	4.02%		3.44%

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