

# Market Alert

Wednesday 7 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6309	0.0007
NZD/AUD	0.9437	-0.0064
NZD/JPY	86.46	-2.10
NZD/EUR	0.6030	-0.0073
NZD/GBP	0.5194	-0.0018
NZD/CNH	4.4030	-0.0554
AUD/USD	0.6687	0.0053
AUD/EUR	0.6389	-0.0035
EUR/USD	1.0465	0.0139
USD/CNH	6.9779	-0.0957
GBP/USD	1.2145	0.0051
EUR/GBP	0.8614	0.0074

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.49%	3.12%
2 year swap	5.08%	3.62%
10 year Govt	4.05%	3.48%

## The 'talkfest' edition.

There were no surprises from the RBA after it hiked the Australian cash rate 25bps to 3.10%, with the statement containing the usual quotes, that "the Board is resolute in determination to return inflation to target, we will do what is necessary to achieve that. The Board expects to increase interest rates further over the period ahead (but the) size and timing of future increases will be determined by data and the outlook for inflation and the labour market. The Board is not on a pre-set course (but) a further increase in inflation is expected over the months ahead. The labour market remains very tight, while household spending is expected to slow over the period ahead."

Yesterday also saw the Australian Q3 current account balance contract AUD-2.3bn when a surplus of AUD6.2bn had been expected after Q2's whopping AUD18.3bn. Net exports actually contracted -0.2% to Q3 GDP which was slightly better than the expected -0.6% drain.

Last night's GDT auction was also a damp squid, with a modest 0.6% increase for the index with WMP gaining just 0.1%, although SMP returned an impressive 1.7%. Then again, maybe the farmers should become firefighters, which is not a bad thought after they negotiated a 22-24% pay rise over the next 3-years! Meanwhile, one of the local banks has thrown the gauntlet at the RBNZ stating, "The outlook for the Kiwi economy is deteriorating into a recession. The RBNZ are hell-bent on forcing inflation back, and fair enough, their credibility as an inflation-fighter is being tested. They expect the OCR to hit 5.5% (but) we think a move beyond 5% is a step too far. We place a much larger weight on the global slowdown. Higher interest rates are effective, and Kiwis are feeling the pinch now."

US corporate layoffs have begun moving beyond tech companies and the media after Pepsi announced it will lay-off hundreds of workers while the investment bank CEOs are preparing everyone for a difficult 2023 with JPMorgan's Jamie Dimon announcing a "mild to hard recession" may hit next year while Goldman's CEO David Solomon

sees "bumpy times ahead" although his economists are expecting the US to avoid recession next year as, "the peak for core US PCE inflation is behind us and we expect core CPI inflation to decline to 5.9% by December. We expect core CPI inflation to fall more sharply next year to 3.2% in December 2023." Conversely, Pimco predicts long-dated securities will bounce back as a recession ignites the bond-safety trade.

ECB Council member, Constantinos Herodotou, announced we are "very near the neutral range," while the ECB's Chief Economist, Philip Lane, added, "it is likely we are close to peak inflation, but whether this already is the peak, or whether it will arrive at the start of 2023, is still uncertain."

In terms of actual data releases, the US trade deficit reached a 4-month high of USD78.2bn as the strong USD impacted exports while German factory orders rose 0.8% in October driven by 'large-scale orders.'

Ultimately, all the talk of 2023 recessions weighed on equity and commodity markets with most bourses 1.0% to 2.0% lower, while Brent oil futures fell below USD80 a barrel for the first time since January. Against this, bond and equity markets were steady with the T-bond 2bps lower at 3.55% while the NZD and AUD traded flat.



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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	72.90					CAD	0.8624	0.9138
NZD/USD	0.6309	0.0004	0.0008	0.0007	0.0000	CHF	0.5944	0.6301
NZD/AUD	0.9437	-0.0008	-0.0025	-0.0064	-0.0134	CNY	4.4158	4.6808
NZD/JPY	86.46	-0.34	-0.94	-2.10	-4.42	DKK	4.4834	4.7520
NZD/EUR	0.6030	-0.0014	-0.0034	-0.0073	-0.0152	FJD	1.3796	1.4623
NZD/GBP	0.5194	-0.0003	-0.0007	-0.0018	-0.0038	HKD	4.9048	5.1987
						KRW	833.07	882.98
AU TWI	61.50					MYR	2.7703	2.9363
AUD/USD	0.6813	0.0009	0.0026	0.0053	0.0088	NOK	6.3304	6.7097
AUD/NZD	0.6535	0.0008	0.0026	0.0069	0.0132	SEK	6.5781	6.9722
AUD/JPY	91.60	-0.29	-0.77	-1.62	-3.46	SGD	0.8575	0.9089
AUD/EUR	0.6389	-0.0009	-0.0020	-0.0035	-0.0073	TWD	19.31	20.46
AUD/GBP	0.5506	0.0001	0.0006	0.0018	0.0036	ZAR	10.96	11.62
USD Index	105.53					<b>EQUITIES</b>		
EUR/USD	1.0465	0.0029	0.0072	0.0139	0.0262		<b>Index</b>	
USD/JPY	137.01	-0.63	-1.67	-3.47	-7.09	NZX50	11,632	
GBP/USD	1.2145	0.0014	0.0031	0.0051	0.0077	ASX200	7,291	
EUR/GBP	0.8614	0.0013	0.0036	0.0074	0.0155	Dow Jones	33,506	
						S&P 500	3,936	
						FTSE100	7,521	
						DAX 30	14,343	
						Nikkei	27,886	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Brent Crude	78.97	
						Gold	1,767.53	
						Silver	22.02	
						Iron Ore	107.68	
						CRB Index	292.44	
							<b>NZD</b>	
						NZ Carbon	82.00	

  

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	4.35%		3.01%
90 day bank bills	4.49%		3.12%
1 year swap	5.25%		3.53%
2 year swap	5.08%		3.62%
3 year swap	4.75%		3.60%
5 year swap	4.41%		3.57%
10 year swap	4.24%		3.81%
3 year Govt bond	4.44%		3.12%
5 year Govt bond	4.19%		3.21%
10 year Govt bond	4.05%		3.48%

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