

Market Alert

Thursday 8 December 2022

CURRENCIES	Spot	6mths
NZD/USD	0.6352	0.0006
NZD/AUD	0.9446	-0.0064
NZD/JPY	86.68	-2.12
NZD/EUR	0.6049	-0.0074
NZD/GBP	0.5202	-0.0018
NZD/CNH	4.4244	-0.0574
AUD/USD	0.6723	0.0052
AUD/EUR	0.6396	-0.0036
EUR/USD	1.0507	0.0138
USD/CNH	6.9636	-0.0965
GBP/USD	1.2208	0.0052
EUR/GBP	0.8606	0.0074

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.50%	3.17%
2 year swap	5.10%	3.59%
10 year Govt	4.11%	3.42%

Sh-sh-shake it off

The bank of Japan took the words of Taylor Swift to heart as plans to shake off inflation. BoJ policy member Nakamura said he expects inflation to fall in the middle of the next fiscal year (i.e. September 2023) without wage-price inflation kicking in and the BOJ is not expecting wages to drive inflation as current price increases are not accompanied by wage hikes. Nakamura also reiterated the recent comments from BOJ Governor Kuroda that the BOJ will continue with monetary policy easing. His comments will no doubt disappoint the market as it increasingly prices in a BOJ pivot to a hawkish stance.

Real wages (after accounting for inflation) in Japan fell -2.6% in the year to October, its biggest fall in more than seven years, as headline inflation sits at 3.7%, however, nominal pay rose for the 10th straight month. Japanese service sector sentiment index rose to a three year high, while the manufacturing sector index posted its first positive result in three months.

The Bank of Canada raised the target for its overnight rate by 50bps to 4.25% in its last meeting of 2022, and in line with market expectations, driving borrowing costs to their highest levels since 2008. Looking ahead, the central bank will be considering whether the policy interest rate needs to continue rising further to bring supply and demand back into balance and return inflation to target, in a sign the tightening campaign could be near an end.

Australian GDP grew at 0.6% in the September quarter, a smidge below the 0.7% expected and down from the June quarter's 0.9%. For the year, growth was a solid 5.9% although the market was expecting 6.3%. Compensation to employees (i.e. wages) increased 3.2% in the quarter, its strongest rise since 2006 driven by a tight labour market, which will worry the RBA. Even more worrying for the RBA, will be the decrease in household savings ratio from 8.3% to 6.9% as the cash rate hikes start to eat into household savings. The RBA has been vocal about the robust savings

levels built up since the start of the pandemic which it sees as cushioning the blow of rate hikes for households.

Exports out of China have declined a steep 8.7% year-on-year in November 2022, substantially more than market consensus on a 3.5% contraction following the 0.3% fall a month earlier. It is the steepest fall since February 2020 amid weakening global demand as inflation and aggressive monetary policy tightening by major economies continues.

Oil...I knew you were trouble

Oil prices have been falling since the start of last month and have since hit \$74 per barrel, remaining under pressure as economic warnings from major US investment banks weighed on the demand outlook with risk assets taking a beating...a consistent trend for much of the year. The US oil benchmark is hovering near its lowest levels in almost a year, with JPMorgan Chase CEO, Jamie Dimon saying that persistently high inflation will dent consumer spending and most likely drag the world's largest economy into a recession next year.

Markets were relatively subdued overnight, on the currency front the NZD firmed slightly against the USD and AUD, with expectations that the kiwi will continue to fly as we close out 2022 and kick into 2023.



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Daily Rates

Thursday 8 December 2022

FX	Spot	FECs (mid)				Spot Mid			
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...		
NZ TWI	73.00					CAD	0.8667	0.9177	
NZD/USD	0.6352	0.0004	0.0008	0.0006	0.0003	CHF	0.5971	0.6322	
NZD/AUD	0.9446	-0.0007	-0.0024	-0.0064	-0.0131	CNY	4.4387	4.6851	
NZD/JPY	86.68	-0.34	-0.95	-2.12	-4.45	DKK	4.4954	4.7593	
NZD/EUR	0.6049	-0.0013	-0.0034	-0.0074	-0.0152	FJD	1.3845	1.4653	
NZD/GBP	0.5202	-0.0004	-0.0007	-0.0018	-0.0037	HKD	4.9471	5.2376	
						KRW	835.21	883.99	
AU TWI	61.20					MYR	2.7917	2.9548	
AUD/USD	0.6813	0.0009	0.0025	0.0052	0.0084	NOK	6.3603	6.7338	
AUD/NZD	0.6535	0.0007	0.0025	0.0069	0.0139	SEK	6.5861	6.9708	
AUD/JPY	91.72	-0.29	-0.78	-1.63	-3.50	SGD	0.8607	0.9110	
AUD/EUR	0.6396	-0.0010	-0.0020	-0.0036	-0.0074	TWD	19.43	20.57	
AUD/GBP	0.5506	0.0000	0.0006	0.0018	0.0035	ZAR	10.89	11.53	
USD Index	105.09					EQUITIES			
EUR/USD	1.0507	0.0028	0.0073	0.0138	0.0258			Index	
USD/JPY	136.33	-0.61	-1.67	-3.45	-7.07	NZX50		11,611	
GBP/USD	1.2208	0.0014	0.0031	0.0052	0.0078	ASX200		7,229	
EUR/GBP	0.8606	0.0013	0.0037	0.0074	0.0152	Dow Jones		33,545	
						S&P 500		3,940	
INTEREST RATES								FTSE100	7,489
		New Zealand		Australia				DAX 30	14,261
		Mid		Mid				Nikkei	27,686
30 day bank bills			4.35%		3.06%	COMMODITIES			
90 day bank bills			4.50%		3.17%			USD	
1 year swap			5.27%		3.55%	Brent Crude		77.39	
2 year swap			5.10%		3.59%	Gold		1,786.67	
3 year swap			4.75%		3.53%	Silver		22.69	
5 year swap			4.38%		3.54%	Iron Ore		108.49	
10 year swap			4.19%		3.79%	CRB Index		289.33	
3 year Govt bond			4.52%		3.10%			NZD	
5 year Govt bond			4.24%		3.17%	NZ Carbon		82.50	
10 year Govt bond			4.11%		3.42%				

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