

Market Alert

Friday 20 January 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6390	-0.0001
NZD/AUD	0.9252	-0.0069
NZD/JPY	82.13	-2.08
NZD/EUR	0.5904	-0.0064
NZD/GBP	0.5161	-0.0019
NZD/CNH	4.3316	-0.0519
AUD/USD	0.6907	0.0050
AUD/EUR	0.6381	-0.0023
EUR/USD	1.0824	0.0115
USD/CNH	6.7771	-0.0797
GBP/USD	1.2380	0.0043
EUR/GBP	0.8742	0.0061

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.84%	3.36%
2 year swap	4.86%	3.54%
10 year Govt	3.98%	3.42%

So, tonight I'm gonna party like it's 1999!

Yep ... that cool dude Prince summed it up best in the song '1999' with the line, "when I woke up this morning, I could've sworn it was judgment day" although 'Don't cry for me, Argentina Jacinda' has a certain ring to it as well given the line, "I love you, and hope you love me!" Anyway, good luck with the new role at the UN Ms. Ardern and thanks for taking Clarke with you!

Not today Jacinda

The minutes from the December ECB meeting told us what we already knew,

that "the monetary policy stance had to be tightened decisively and that the current configuration of interest rates and expectations embodied in market pricing was not sufficiently restrictive to bring inflation back to target in a timely manner". While the central bank ultimately hiked 50bps, several members favoured a 75bps hike and a faster pace of reductions of reinvestments under the Asset Purchase Programme. Post release, we also had Dutch ECB hawk Klaas Knot call for a consistent pace of multiple 50bp hikes while Christine Lagarde vowed "we shall stay the course" until the bank is in restrictive territory.

AUD/USD fell below the 0.6900 level after the Australian unemployment rate grew to 3.5% against the expected 3.4% as the number of people employed fell by -14.6k when an increase of 22.5k had been expected.

New Fed member and Dallas President Lorie Logan announced, "it is not helpful at this time to lock in a peak rate or precise rate path. I support a slower rate hiking pace (although) it does not signal any less commitment to achieving our inflation goal. Achieving price stability will require labour market loosening, but how much is highly uncertain. If we find the unemployment rate goes up, historically that comes with a recession, but it's possibly different this time." Colleague Lael Brainard then added, "it will take time and resolve to get inflation to our 2.0% target (but) we are seeing signs of a moderation in wages."

The number of Americans filing new claims for unemployment benefits fell by 15,000 to a 4-month low at 190,000 last week, which was well below expectations of 214,000. Microsoft announced it will lay-off 10,000 workers yesterday while Amazon will make 18,000 workers redundant. In other headlines, the Philadelphia Fed manufacturing index rose to -8.9 from a revised reading of -13.7 in December while building permits fell to their lowest level since May 2020 falling -1.6% to a seasonally adjusted annual rate of 1.33 million.

In a classic, 'you know it's coming' statement, BoJ Governor contender Takatoshi Ito suggested the central bank may raise its 10-year JGB yield ceiling above the 0.50% level!

Equity screens were a sea of red overnight as the threat of recessions weighed on investor sentiment. Commodity markets fared better after copper's cash price on the LME traded in a backwardation against the 3-month futures contract signalling insufficient supply although Alcoa shares plummeted after it announced aluminum shipments will be weaker than anticipated this year. The NZD and AUD came under selling pressure overnight, with NZD/JPY collapsing below the 82.00 level, while the T-bond firmed to 3bps to 3.40%.

Ouch. Olympic hero Usain Bolt found USD12 million missing from his bank account!



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 20 January 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.00					CAD	0.8601	0.9299
NZD/USD	0.6390	0.0002	0.0003	-0.0001	0.0000	CHF	0.5854	0.6329
NZD/AUD	0.9252	-0.0008	-0.0030	-0.0069	-0.0137	CNY	4.3206	4.6716
NZD/JPY	82.13	-0.30	-0.98	-2.08	-4.27	DKK	4.3918	4.7474
NZD/EUR	0.5904	-0.0010	-0.0032	-0.0064	-0.0128	FJD	1.3745	1.4857
NZD/GBP	0.5161	-0.0002	-0.0008	-0.0019	-0.0044	HKD	5.0033	5.4081
						KRW	788.79	852.61
AU TWI	61.20					MYR	2.7515	2.9742
AUD/USD	0.6813	0.0009	0.0025	0.0050	0.0085	NOK	6.3288	6.8408
AUD/NZD	0.6535	0.0008	0.0033	0.0078	0.0153	SEK	6.5952	7.1291
AUD/JPY	88.74	-0.26	-0.79	-1.63	-3.37	SGD	0.8448	0.9132
AUD/EUR	0.6381	-0.0006	-0.0014	-0.0023	-0.0047	TWD	19.37	20.94
AUD/GBP	0.5578	0.0003	0.0009	0.0020	0.0033	ZAR	11.04	11.93
USD Index	102.09					EQUITIES		
EUR/USD	1.0824	0.0022	0.0062	0.0115	0.0207		Index	
USD/JPY	128.46	-0.54	-1.60	-3.24	-6.42	NZX50	11,886	
GBP/USD	1.2380	0.0008	0.0023	0.0043	0.0073	ASX200	7,435	
EUR/GBP	0.8742	0.0012	0.0032	0.0061	0.0114	Dow Jones	33,141	
						S&P 500	3,912	
INTEREST RATES						FTSE100	7,747	
		New Zealand		Australia		DAX 30	14,920	
		Mid		Mid		Nikkei	26,405	
30 day bank bills		4.42%		3.15%		COMMODITIES		
90 day bank bills		4.84%		3.36%			USD	
1 year swap		5.32%		3.57%		Brent Crude	86.25	
2 year swap		4.86%		3.54%		Gold	1,924.92	
3 year swap		4.48%		3.45%		Silver	23.78	
5 year swap		4.16%		3.40%		Iron Ore	121.19	
10 year swap		4.07%		3.74%		CRB Index	300.29	
3 year Govt bond		4.29%		2.99%			NZD	
5 year Govt bond		3.97%		3.09%		NZ Carbon	73.50	
10 year Govt bond		3.98%		3.42%				

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