

Market Alert

Wednesday 25 January 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6503	-0.0003
NZD/AUD	0.9233	-0.0073
NZD/JPY	84.58	-2.18
NZD/EUR	0.5979	-0.0066
NZD/GBP	0.5275	-0.0022
NZD/CNH	4.3561	-0.0536
AUD/USD	0.7043	0.0052
AUD/EUR	0.6473	-0.0021
EUR/USD	1.0876	0.0115
USD/CNH	6.7846	-0.0785
GBP/USD	1.2329	0.0044
EUR/GBP	0.8821	0.0059

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.91%	3.33%
2 year swap	5.00%	3.46%
10 year Govt	4.14%	3.54%

I'm all PMI'd out!

The US PMIs improved to 46.6 from December 45.0 to remain in contractionary territory as activity in both the service and manufacturing sectors fell less than expected.

There was also a positive spin in the Eurozone with the PMI prints suggesting the wider economy may achieve a soft landing after the composite index rose above 50 for the first time since June to reach 50.2 in January. Services led the way at 50.7 while manufacturing also improved to 48.8. In other headlines, Germany's GfK consumer indicator rose to -33.9 from January's revised -37.6. The Germany government expects its economy to grow 0.2% this year, instead

of the -0.4% contraction it predicted in October, however it downgraded its growth forecast for 2024 to 1.8% from 2.3%.

Unfortunately, the UK PMI data signalled further weakness after output fell at its sharpest pace in 2-years as the composite index slid to 47.8 from 49.0, which well below consensus.

Japan's stronger services PMIs at 52.4 helped lift the composite gauge back into expansionary territory rising to 50.8 from 49.7, although manufacturing remains in the doldrums at 48.0.

New Zealand service PMIs remained in expansionary mode at 52.1, falling slightly from November's 53.7. There was some bad news after MediaWorks announced 90 staff are to lose their jobs in an effort to cut costs after revealing two-thirds of the company's costs were labour related.

The Judo Bank Australia service PMIs increased to 48.3 in January from the prior months 47.3, while the manufacturing PMIs slowed to 49.8 from December's final reading of 50.2 to register the index's first contraction in 32 months.

Other Australian headlines showed December business confidence improved to -1 from its previous -4 as business conditions fell to 12 from 20, while the Judo Bank Chief Economist announced, "We expect the RBA to hike the cash rate by 25bp in February and March before an extended pause. Further rate hikes may be

required later in 2023 if the economy and inflation prove more resilient than current consensus forecasts suggest." He then added, "Inflation pressures may abate somewhat but the risk for the RBA is that inflation remains stubbornly high well into 2023. This could maintain upward pressure on inflation expectations and wages growth."

Up, down, and a little bit sideways!

While it is not the first time the US has hit its debt limit, and there is still a lot to pass under this bridge, should the US default on its debt, one analyst has forecast it would cost 6 million jobs and push the jobless rate to 7.0%. On a positive note, one analysis suggested the debt limit may bring forward the end of QT given that by shrinking its bond portfolio by up to USD95 billion a month, the Fed is draining liquidity from the system which would trigger a more rapid shrinking of commercial banks' reserves.

International equity markets made modest gains as investors geared up for further earnings reports. The US-dollar index continued its slow grind lower having broken below the 102.65 level, although the sell-off appears to be stalling. This saw the NZD/USD and AUD/USD consolidate above the 0.6500 and 0.700 levels respectively, but there doesn't appear to be a great deal of conviction at this stage. Treasury yields edged down with the T-bond easing 5bps to 3.46%.



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Daily Rates

Wednesday 25 January 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.50					CAD	0.8693	0.9414
NZD/USD	0.6503	0.0002	0.0002	-0.0003	-0.0005	CHF	0.6003	0.6501
NZD/AUD	0.9233	-0.0009	-0.0032	-0.0073	-0.0149	CNY	4.3717	4.7147
NZD/JPY	84.58	-0.33	-1.03	-2.18	-4.50	DKK	4.4466	4.8159
NZD/EUR	0.5979	-0.0011	-0.0033	-0.0066	-0.0131	FJD	1.3862	1.5011
NZD/GBP	0.5275	-0.0002	-0.0010	-0.0022	-0.0050	HKD	5.0926	5.5146
						KRW	802.59	869.11
AU TWI	62.40					MYR	2.7857	3.0165
AUD/USD	0.6813	0.0009	0.0026	0.0052	0.0092	NOK	6.4178	6.9497
AUD/NZD	0.6535	0.0010	0.0036	0.0084	0.0166	SEK	6.6360	7.1858
AUD/JPY	91.58	-0.26	-0.80	-1.66	-3.50	SGD	0.8585	0.9296
AUD/EUR	0.6473	-0.0005	-0.0013	-0.0021	-0.0045	TWD	19.69	21.32
AUD/GBP	0.5712	0.0003	0.0009	0.0021	0.0037	ZAR	11.18	12.10
USD Index	101.99					EQUITIES		
EUR/USD	1.0876	0.0023	0.0062	0.0115	0.0209		Index	
USD/JPY	130.04	-0.55	-1.61	-3.30	-6.64	NZX50	11,933	
GBP/USD	1.2329	0.0009	0.0023	0.0044	0.0079	ASX200	7,490	
EUR/GBP	0.8821	0.0012	0.0032	0.0059	0.0105	Dow Jones	33,693	
						S&P 500	4,015	
						FTSE100	7,757	
						DAX 30	15,093	
						Nikkei	27,299	
						COMMODITIES		
							USD	
						Brent Crude	85.90	
						Gold	1,935.92	
						Silver	23.67	
						Iron Ore	121.94	
						CRB Index	304.96	
							NZD	
						NZ Carbon	72.72	

INTEREST RATES	New Zealand		Australia
	Mid		Mid
30 day bank bills	4.49%		3.18%
90 day bank bills	4.91%		3.33%
1 year swap	5.40%		3.51%
2 year swap	5.00%		3.46%
3 year swap	4.61%		3.39%
5 year swap	4.33%		3.49%
10 year swap	4.25%		3.86%
3 year Govt bond	4.43%		3.05%
5 year Govt bond	4.14%		3.17%
10 year Govt bond	4.14%		3.54%

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