

# Market Alert

Friday 17 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6271	0.0002
NZD/AUD	0.9092	-0.0055
NZD/JPY	83.94	-2.18
NZD/EUR	0.5868	-0.0057
NZD/GBP	0.5218	-0.0022
NZD/CNH	4.3033	-0.0515
AUD/USD	0.6896	0.0043
AUD/EUR	0.6450	-0.0025
EUR/USD	1.0687	0.0105
USD/CNH	6.8623	-0.0838
GBP/USD	1.2015	0.0048
EUR/GBP	0.8892	0.0047

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.35%
90 day bills	5.03%	3.52%
2 year swap	5.13%	4.00%
10 year Govt	4.40%	3.86%

## OCR uncertainty

It's a big call, but one that makes a great deal of sense ... KiwiBank has called for the RBNZ to pause its rate hiking cycle as "we deal with the devastating impact of Cyclone Gabrielle. The RBNZ can (always) come back in April and resume tightening if required."

In Australia, maybe Mr. Lowe knows something we don't after the January Australian job report saw employment fall -11.5k, when expectations were for 20k jobs to be added! This saw the unemployment rate increase from 3.5% to 3.7%, an 8-month high, while the participation rate was a smidge lower at 66.5%. Meanwhile, the University of Melbourne's consumer inflation

expectations survey forecasts Australian inflation will fall to 5.1% in a years' time, from January's 5.6% forecast.

If anyone is thinking US inflationary pressures are going to plummet back to pre-Covid levels, they'd better think again after producer prices increased 0.7% in January to its highest level in 7-months and ahead of market forecasts at 0.4%. Goods prices jumped 1.2%, led by a 6.2% surge in gasoline, while annual producer inflation slowed to 6.0%, compared to forecasts of 5.4%. There was some positive news for the inflation bears though after initial job claim printed steady at 194k, housing starts fell by 4.5%. Household debt surged by USD394 billion to a record USD16.90 trillion.

But what is concerning is the US debt ceiling standoff. Yes, it probably won't become an issue until June, but it may be far worse for markets than in 2011. Currently, annualised payments to service US debt rose to USD773 billion at January month-end, but last years' rising interest rate environment has added USD300 billion to those interest payments in the last 12-months alone, and with yields having rallied further this month, the cost to service this debt will inevitably see another significant notch higher.

Chinese January house prices were flat at 0.0% following December's -0.25% easing. For the year, prices are down -1.5%, undermining sentiment in what up until now has been a one-way bet.

While European bourses had a positive session, north American equity markets fell after the stronger than expected producer prices underscored the embedded inflationary pressures within the US economy. Treasury yields pushed higher with the T-bond lifting to 3.83%, which supported the US Dollar Index and saw the NZD weaken, although the AUD and EUR were flat.

## And to grab a headline ...

Goldman Sachs has cut their US recession probability from 35% to 25%, Standard Chartered have revised their peak Fed funds rate higher, from 4.75% to 5.25%, and UK inflation fell for the third month in a row to hit 10.1%, down from October's 41-year high at 11.1%. BoC Governor Tiff Macklem announced, "The labour market is too tight and needs to get better balanced," while Cleveland Fed President Loretta Mester stated, "The Fed has come an appreciable way in bringing policy from a very accommodative stance to a restrictive one, but we have more work to do. The incoming data has not changed my view that we will need to bring the fed funds rate above 5.0% and hold it there for some time to be sufficiently restrictive."



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# Daily Rates

Friday 17 February 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.10					CAD	0.8427	0.9269
NZD/USD	0.6271	0.0000	0.0001	0.0002	0.0005	CHF	0.5794	0.6373
NZD/AUD	0.9092	-0.0009	-0.0028	-0.0055	-0.0111	CNY	4.2909	4.7204
NZD/JPY	83.94	-0.32	-1.05	-2.18	-4.51	DKK	4.3694	4.8049
NZD/EUR	0.5868	-0.0010	-0.0030	-0.0057	-0.0114	FJD	1.3577	1.4930
NZD/GBP	0.5218	-0.0003	-0.0010	-0.0022	-0.0051	HKD	4.9221	5.4127
						KRW	808.12	888.67
AU TWI	62.40					MYR	2.7605	3.0356
AUD/USD	0.6896	0.0007	0.0022	0.0043	0.0075	NOK	6.4192	7.0590
AUD/NZD	1.0993	0.0009	0.0031	0.0064	0.0113	SEK	6.5401	7.1919
AUD/JPY	92.31	-0.27	-0.89	-1.86	-3.98	SGD	0.8369	0.9203
AUD/EUR	0.6450	-0.0005	-0.0013	-0.0025	-0.0056	TWD	18.98	20.87
AUD/GBP	0.5737	0.0002	0.0006	0.0010	0.0009	ZAR	11.36	12.49
USD Index	103.87					<b>EQUITIES</b>		
EUR/USD	1.0687	0.0018	0.0055	0.0105	0.0207		<b>Index</b>	
USD/JPY	133.83	-0.52	-1.70	-3.51	-7.24	NZX50	12,158	
GBP/USD	1.2015	0.0006	0.0022	0.0048	0.0108	ASX200	7,410	
EUR/GBP	0.8892	0.0010	0.0028	0.0047	0.0087	Dow Jones	33,980	
						S&P 500	4,122	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	8,013	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,534	
30 day bank bills			4.72%		3.35%	Nikkei	27,696	
90 day bank bills			5.03%		3.52%	<b>COMMODITIES</b>		
1 year swap			5.37%		4.01%		<b>USD</b>	
2 year swap			5.13%		4.00%	Brent Crude	84.93	
3 year swap			4.84%		3.89%	Gold	1,843.23	
5 year swap			4.54%		3.91%	Silver	21.71	
10 year swap			4.44%		4.20%	Iron Ore	124.34	
3 year Govt bond			4.59%		3.50%	CRB Index	295.10	
5 year Govt bond			4.38%		3.57%		<b>NZD</b>	
10 year Govt bond			4.40%		3.86%	NZ Carbon	70.45	

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