

Market Alert

Wednesday 1 March 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6193	-0.0001
NZD/AUD	0.9179	-0.0059
NZD/JPY	84.18	-2.34
NZD/EUR	0.5845	-0.0061
NZD/GBP	0.5131	-0.0021
NZD/CNH	4.3039	-0.0579
AUD/USD	0.6745	0.0043
AUD/EUR	0.6365	-0.0027
EUR/USD	1.0593	0.0108
USD/CNH	6.9500	-0.0928
GBP/USD	1.2065	0.0046
EUR/GBP	0.8778	0.0054

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.35%
90 day bills	5.16%	3.61%
2 year swap	5.36%	4.16%
10 year Govt	4.63%	3.95%

Forget about the financial markets ...

... let's talk about the cricket! Congratulations to the Black Caps for pulling the second test back from the brink to beat England by one run, but I've got to ask the question, whatever happened to a third test to decide the series?

It was another subdued session overnight with equity markets mixed, as were bond markets, with the T-bond 2bps higher at 3.94% while the Australian 10-year government yield fell 8bps to 3.89%. The NZD outperformed in the currency markets, trading higher on the crosses. The AUD spent the session treading water.

Most action was in the Eurozone where rising inflation in France and Spain

fuelled fears of more aggressive ECB rate increases after French CPI reached a record 7.2%, as food and services costs increased, while Spain saw CPI accelerate to 6.1%.

In the US, the S&P CoreLogic Case-Shiller 20-city home price index rose 4.6% in the 12-months to December, which was below the 6.8% November increase (and forecasts of 5.8%). In other US headlines, February consumer confidence dropped from 107.1 to 102.9, although there was a positive in that the 1-year inflation expectation fell from 6.8% to 6.3%. Chicago PMIs eased from 44.3 to 43.6, while the Richmond composite manufacturing index decreased from -11 in January to -16 in February as shipments plummeted. Finally, the Dallas Fed service sector survey improved from -15.0 to -9.3.

Where Canada goes, New Zealand usually follows, and in a warning to the NZ Finance Minister and RBNZ Governor, Canadian Q4 GDP fell to 0.0%, a large miss versus the forecast 1.5% increase.

Ahead of today's Australian CPI and GDP releases, retail sales data showed Australians are continuing to spend up large. January retail sales grew at its highest rate since November 2021, jumping 1.9% on the month and 7.5% on the year, while private sector credit expanded 0.4% in January and 8.0% on the year. And here's something that I suspect won't affect too many of us ... Australia plans to double the tax on pension balances over AUD3m from

2025-26, a change it says will impact less than 0.5% of account holders and make the system more sustainable.

NZ business confidence improved to -43.3% in February, with the only real positive being the fact it was better than January's -52%! The 'own activity' index improved to -9.2%, from -15.8% as, *"Pricing intentions continue to inch lower, but inflation expectations remain stuck around 6%. There was a marked drop in expected wage growth however."*

Japanese industrial production plummeted -4.6% in January against an expected -2.9% contraction, while retail sales surged 1.9% on the month, and 6.3% on the year.

Here's something that no-one is talking about that could have longer-term consequences ... the wall of mounting debt in China's provinces. At least 17 out of 31 regional governments face a serious funding squeeze, with outstanding borrowing in 2022 exceeding the threshold of 120% of income set by Beijing.

Never ask three banks the same question ...

... because you'll always get four different answers, and now I'm really confused! JP Morgan is pessimistic about further USD strength ahead of the March FOMC meeting, although Morgan Stanley favours further USD upside 'movement', while Goldmans expects the EUR/USD to fall sharply to 1.0200!



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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	70.80					CAD	0.8429	0.9181
NZD/USD	0.6193	0.0000	0.0000	-0.0001	-0.0005	CHF	0.5815	0.6334
NZD/AUD	0.9179	-0.0011	-0.0030	-0.0059	-0.0113	CNY	4.2907	4.6715
NZD/JPY	84.18	-0.38	-1.11	-2.34	-4.72	DKK	4.3506	4.7384
NZD/EUR	0.5845	-0.0011	-0.0032	-0.0061	-0.0120	FJD	1.3545	1.4753
NZD/GBP	0.5131	-0.0003	-0.0010	-0.0021	-0.0046	HKD	4.8609	5.2942
						KRW	817.17	890.00
AU TWI	61.40					MYR	2.7776	3.0251
AUD/USD	0.6745	0.0008	0.0021	0.0043	0.0073	NOK	6.4063	6.9773
AUD/NZD	1.0889	0.0012	0.0034	0.0067	0.0124	SEK	6.4612	7.0371
AUD/JPY	91.69	-0.31	-0.92	-1.98	-4.10	SGD	0.8343	0.9087
AUD/EUR	0.6365	-0.0005	-0.0014	-0.0027	-0.0054	TWD	19.01	20.71
AUD/GBP	0.5589	0.0003	0.0007	0.0012	0.0017	ZAR	11.36	12.37
USD Index	104.75					EQUITIES		
EUR/USD	1.0593	0.0020	0.0056	0.0108	0.0202		Index	
USD/JPY	135.95	-0.61	-1.79	-3.75	-7.51	NZX50	11,895	
GBP/USD	1.2065	0.0007	0.0020	0.0046	0.0088	ASX200	7,258	
EUR/GBP	0.8778	0.0011	0.0030	0.0054	0.0098	Dow Jones	32,791	
						S&P 500	3,993	
INTEREST RATES			New Zealand		Australia	FTSE100	7,876	
			Mid		Mid	DAX 30	15,365	
30 day bank bills			4.85%		3.43%	Nikkei	27,446	
90 day bank bills			5.16%		3.61%	COMMODITIES		
1 year swap			5.53%		4.14%		USD	
2 year swap			5.36%		4.16%	Brent Crude	83.89	
3 year swap			5.11%		4.07%	Gold	1,829.46	
5 year swap			4.82%		4.07%	Silver	20.98	
10 year swap			4.68%		4.33%	Iron Ore	125.74	
3 year Govt bond			4.86%		3.65%	CRB Index	293.61	
5 year Govt bond			4.64%		3.71%		NZD	
10 year Govt bond			4.63%		3.95%	NZ Carbon	68.00	

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