

Market Alert

Thursday 13 April 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6213	-0.0013
NZD/AUD	0.9282	-0.0085
NZD/JPY	82.71	-2.39
NZD/EUR	0.5653	-0.0062
NZD/GBP	0.4977	-0.0024
NZD/CNH	4.2760	-0.0720
AUD/USD	0.6692	0.0046
AUD/EUR	0.6088	-0.0013
EUR/USD	1.0989	0.0097
USD/CNH	6.8826	-0.1020
GBP/USD	1.2482	0.0032
EUR/GBP	0.8803	0.0051

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.60%
90 day bills	5.55%	3.70%
2 year swap	4.96%	3.43%
10 year Govt	4.07%	3.33%

A patriotic start!

Overnight we had a series of data releases from the US. Most importantly headline CPI, on an annual basis, slowed for a ninth consecutive period to reach 5.0% in March, seeing the lowest levels since May 2021 and down from 6.0% previously recorded in February and below market forecasts of 5.2%. On a monthly basis, headline CPI increased 0.1% on the month in March, slowing from a 0.4% rise in February and below expectations of a 0.2% gain. Food prices grew at a slower rate seeing an 8.5% increase in March compared to 9.5% in February, while energy cost fell for the first time in 2-years seeing a -6.4% decline against forecasts of 5.2% rise. A key component of the CPI basket,

inflation for shelter which accounts for over 30% of the total CPI basket, continued to rise sharply at 8.2% on the month against forecasts of 8.1% – I suspect those higher interest rates might be starting to bite a few 'entrepreneurs!'

Annual core inflation rate in the US, excluding food and energy, ticked up to 5.6% in March, from a 14-month low of 5.5% in February in line with forecasts as the cost of rent increased further. On the month, core CPI grew 0.4% in March in line with expectations and slowing slightly from the 0.5% increase February.

FOMC members observed that inflation remained persistently high and that the labour market remained tight. As a result, the FOMC anticipates some additional policy firming may be appropriate to attain a sufficiently restrictive policy stance to return inflation back to target levels of 2.0% as highlighted in the March meeting minutes. The yield on the 10-year Treasury note recovered from early lows and held around 3.45% on Wednesday as markets digested minutes from the Federal Reserve's March meeting and fresh CPI data.

The FOMC agreed in raising the funds rate by 25bps despite previous calls for a more aggressive 50bps increase, reasoning against overtightening followed major bank closures in the United States that sent ripples throughout the global financial sector. Still, policymakers showed a broad consensus that inflation remains too high,

easing bets of three rate cuts this year.

The Bank of Canada held the target for its overnight rate unchanged at 4.5% in its April 2023 meeting, as previously signalled, stating that it will continue to monitor the economic data for future policy decisions. The decision followed the tightening pause in March, as the Governing Council believes that current borrowing costs are restrictive enough to bring inflation down to the 2.0% level and opted to support slowing growth.

Elsewhere in the world!

Amidst all the chaos overnight, the NZD lost some ground from earlier in the session following on from the US CPI release, holding just above the 0.6200 level, as for the NZD/AUD cross rate, it was a similar story, holding at the 0.9280 level. The Australian dollar was around 0.6700, not far from four-month lows touched in March, as markets weigh the monetary policy outlook domestically and abroad with US-China tensions.

Summing it all up, international equity markets were a sea of red off -1.0% before stabilising. Commodities were quick to find gains as crude oil is now back above USD87p/b, while US yields were lower off 5 bps in 2-yrs at 3.96% and 2 bps lower at 3.39% in the 10-yrs.



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Daily Rates

Thursday 13 April 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.60					CAD	0.8349	0.8993
NZD/USD	0.6213	-0.0001	-0.0004	-0.0013	-0.0043	CHF	0.5569	0.5998
NZD/AUD	0.9282	-0.0014	-0.0042	-0.0085	-0.0165	CNY	4.2667	4.5924
NZD/JPY	82.71	-0.39	-1.22	-2.39	-4.74	DKK	4.2117	4.5364
NZD/EUR	0.5653	-0.0011	-0.0033	-0.0062	-0.0118	FJD	1.3568	1.4615
NZD/GBP	0.4977	-0.0005	-0.0013	-0.0024	-0.0047	HKD	4.8771	5.2532
						KRW	819.35	882.51
AU TWI	60.20					MYR	2.7399	2.9512
AUD/USD	0.6692	0.0008	0.0025	0.0046	0.0069	NOK	6.4871	6.9872
AUD/NZD	1.0770	0.0014	0.0047	0.0095	0.0182	SEK	6.4249	6.9197
AUD/JPY	89.10	-0.29	-0.87	-1.81	-3.64	SGD	0.8250	0.8886
AUD/EUR	0.6088	-0.0003	-0.0008	-0.0013	-0.0023	TWD	18.94	20.41
AUD/GBP	0.5361	0.0003	0.0010	0.0023	0.0044	ZAR	11.44	12.33
USD Index	101.53					EQUITIES		
EUR/USD	1.0989	0.0019	0.0054	0.0097	0.0154		Index	
USD/JPY	133.15	-0.60	-1.79	-3.58	-6.76	NZX50	11,918	
GBP/USD	1.2482	0.0008	0.0022	0.0032	0.0029	ASX200	7,344	
EUR/GBP	0.8803	0.0009	0.0026	0.0051	0.0101	Dow Jones	33,647	
						S&P 500	4,090	
INTEREST RATES			New Zealand		Australia	FTSE100	7,825	
			Mid		Mid	DAX 30	15,704	
30 day bank bills			5.36%		3.64%	Nikkei	28,083	
90 day bank bills			5.55%		3.70%	COMMODITIES		
1 year swap			5.54%		3.58%		USD	
2 year swap			4.96%		3.43%	Brent Crude	87.27	
3 year swap			4.57%		3.30%	Gold	2,015.68	
5 year swap			4.22%		3.31%	Silver	25.50	
10 year swap			4.10%		3.65%	Iron Ore	121.05	
3 year Govt bond			4.33%		2.92%	CRB Index	303.17	
5 year Govt bond			4.10%		3.01%		NZD	
10 year Govt bond			4.07%		3.33%	NZ Carbon	59.00	

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