

# Market Alert

Monday 17 April 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6200	-0.0011
NZD/AUD	0.9251	-0.0082
NZD/JPY	83.02	-2.38
NZD/EUR	0.5646	-0.0060
NZD/GBP	0.4994	-0.0024
NZD/CNH	4.3098	0.0000
AUD/USD	0.6701	0.0047
AUD/EUR	0.6096	-0.0011
EUR/USD	1.0988	0.0097
USD/CNH	6.8671	0.0000
GBP/USD	1.2413	0.0035
EUR/GBP	0.8851	0.0052

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.60%
90 day bills	5.57%	3.70%
2 year swap	5.01%	3.47%
10 year Govt	4.16%	3.41%

## Contradictions aplenty!

Friday saw some contradictions in financial markets with the positive US data supporting a stronger USD and higher yields. March US retail sales fell from -0.2% to -1.0%, in a sign that cost pressures and rising interest rates are finally weighing on consumers, while the University of Michigan consumer sentiment unexpectedly increased from 62.0 to 63.5 in April as current conditions improved to 68.6. Expectations also improved to 60.3 and 1 year inflation expectations leapt higher to 4.6% from 3.6%. Finally, industrial production rose by 0.4% in March, beating forecasts at 0.2%. The start of the US earnings season also added to the positive sentiment after JPMorgan Chase, Wells Fargo, and Citigroup all reported better-than-expected earnings and revenues, while

BlackRock assets swelled. Deposits at JP Morgan also rose as investors sought havens for deposits.

Unfortunately, the positive data wasn't perceived to be sufficient to pause the Fed's hiking cycle, in fact it did the opposite. This saw the 2-year Treasury yield rally 11bps to 4.09% while the 10-year yield closed at 3.51%, after jumping more than 6bps, which saw the USD index bounce and consolidate above the 101.0 level as the NZD, AUD, and EUR all give-up a cent. US equities also closed in negative territory, although the European bourses were positive, while energy commodities firmed.

In other headlines, average new home prices in China's 70 major cities eased -0.8% in March following February's -1.2% fall, the MAS in Singapore kept its monetary policy unchanged on Friday, even though core inflation is expected to remain elevated over the next few months, and Christine Lagarde announced she "can't imagine the US defaulting on its debt, while US-China 'bipolarization' would crimp global growth."

## Bringing back that Tui advert ...

... BusinessNZ manufacturing PMIs collapsed from 52.0 to 48.1 in March, but don't worry, Finance Minister Grant Robertson huffed and puffed that while "many economists are expecting a recession in New Zealand. The economy is resilient and robust. We might have a recession, but it will be a shallow one" ... yeah right!

PBoC Governor Yi Gang was a little more sanguine expecting "2023 economic growth around 5% (as the) economy is rebounding and stabilising, the property sector is rebounding, and inflation is low."

ECB member, Joakim Nagel remains bullish stating "there is further to go on tightening monetary policy with core inflation remaining very high. It's too early to speculate on rate cuts." Colleague Pierre Wunsch added "the choice is between a 4th straight 50bps hike, or a smaller 25bps move, will depend on April's inflation figure."

The LSE is to offer trading and clearing in bitcoin index futures and options derivatives ... after last year's nickel scandal, what could possibly go wrong!

Meanwhile, Bernard Arnault, the Chair, CEO, and founder of LVMH had a pretty good day at the office last week after his net worth increased USD12bn in a single day after the luxury brand company released its quarterly sales update.

## This week

The focus will remain on the US earnings season, while the inflation 'story' will remain in focus with CPI releases due from the UK, Japan, and New Zealand. PMIs are due for release from the US, UK, Australia, and the Euro-Area, while China will publish its GDP growth, retail sales, and industrial production figures.



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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	71.40					CAD	0.8284	0.8962
NZD/USD	0.6200	-0.0001	-0.0004	-0.0011	-0.0036	CHF	0.5541	0.5986
NZD/AUD	0.9251	-0.0012	-0.0040	-0.0082	-0.0158	CNY	4.2629	4.6023
NZD/JPY	83.02	-0.38	-1.17	-2.38	-4.74	DKK	4.2035	4.5431
NZD/EUR	0.5646	-0.0011	-0.0031	-0.0060	-0.0115	FJD	1.3537	1.4631
NZD/GBP	0.4994	-0.0004	-0.0012	-0.0024	-0.0045	HKD	4.8661	5.2593
						KRW	808.48	873.81
AU TWI	60.70					MYR	2.7280	2.9484
AUD/USD	0.6701	0.0008	0.0025	0.0047	0.0070	NOK	6.4097	6.9277
AUD/NZD	1.0816	0.0010	0.0045	0.0094	0.0173	SEK	6.4045	6.9220
AUD/JPY	89.69	-0.29	-0.89	-1.80	-3.68	SGD	0.8244	0.8910
AUD/EUR	0.6096	-0.0003	-0.0008	-0.0011	-0.0023	TWD	18.92	20.45
AUD/GBP	0.5397	0.0003	0.0010	0.0022	0.0043	ZAR	11.21	12.12
USD Index	101.58					<b>EQUITIES</b>		
EUR/USD	1.0988	0.0019	0.0054	0.0097	0.0157		<b>Index</b>	
USD/JPY	133.80	-0.59	-1.81	-3.60	-6.88	NZX50	11,881	
GBP/USD	1.2413	0.0008	0.0023	0.0035	0.0035	ASX200	7,362	
EUR/GBP	0.8851	0.0009	0.0027	0.0052	0.0101	Dow Jones	33,886	
						S&P 500	4,138	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,872	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,808	
30 day bank bills			5.36%		3.65%	Nikkei	28,493	
90 day bank bills			5.57%		3.70%	<b>COMMODITIES</b>		
1 year swap			5.57%		3.67%		<b>USD</b>	
2 year swap			5.01%		3.47%	Brent Crude	86.31	
3 year swap			4.63%		3.36%	Gold	2,003.04	
5 year swap			4.29%		3.38%	Silver	25.34	
10 year swap			4.19%		3.72%	Iron Ore	119.11	
3 year Govt bond			4.37%		2.97%	CRB Index	303.79	
5 year Govt bond			4.16%		3.07%		<b>NZD</b>	
10 year Govt bond			4.16%		3.41%	NZ Carbon	62.75	

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