

# Market Alert

Monday 24 April 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6141	-0.0009
NZD/AUD	0.9251	-0.0078
NZD/JPY	82.31	-2.37
NZD/EUR	0.5583	-0.0059
NZD/GBP	0.4939	-0.0020
NZD/CNH	4.2545	0.0000
AUD/USD	0.6698	0.0047
AUD/EUR	0.6095	-0.0013
EUR/USD	1.0989	0.0099
USD/CNH	6.8982	0.0000
GBP/USD	1.2430	0.0031
EUR/GBP	0.8836	0.0057

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.60%
90 day bills	5.59%	3.73%
2 year swap	5.01%	3.64%
10 year Govt	4.20%	3.55%

## Lets be honest ...

... the real headlines will be tomorrow night once we've watched the ANZAC game between the Storm and the Warriors, but ahead of that ...

Friday saw a host of data releases, and while there was a lot of noise, financial markets were rather subdued. Equity markets posted modest gains in the 0.0%-0.50% range, while commodities were broadly weaker with iron ore and gold appearing to attract most of the attention. Bond markets were mixed, with the 10-year US treasury yield 2bps firmer at 3.57% while the USD had a mixed session which saw both the NZD/USD and AUD/USD weaken although the EUR/USD closed higher.

Looking at the data, US manufacturing PMI posted its first expansion in

6-months, increasing from 49.2 to 50.4 in April as output and employment rose faster than expected, and new orders returned to growth. Meanwhile, service PMI posted its biggest gain in 12-months to reach 53.7, which saw the composite reach 53.5 as overall business activity hit an 11-month high. This gave the market reason to pause and reconsider its expectation for rate cuts from the Fed later this year. Expectations have been trimmed from 50bps of cuts by the end of the year to 25bp currently.

Euro-zone PMIs also made some solid gains as the composite index rose to 54.4 in April to reach its highest level since May last year as the wider economy gained further momentum with sharp increases in new orders and employment. Inflation pressures also moderated as input costs fell to their lowest level since February 2021. Conversely, German manufacturing PMI fell to 44 in April to record the biggest contraction in the manufacturing sector since May of 2020, and worse than market forecasts of 45.7.

BoE dove Silvana Teneyro suggested that some of her MPC colleagues are like a "fool in the shower" who gets scalded by being too impatient for the water to warm up as interest rates are already too high. Sounds familiar to any New Zealand mortgage holder getting scalded at the moment.

The PBoC signalled it may start gradually scaling back some of the stimulus measures implemented during the pandemic after their Head of the Monetary Policy department, Zou Lan,

announced the central bank would exit all of their structural support tools "as scheduled" after their problems are addressed and goals are accomplished.

Bank strategists remain keen to keep their names in lights with the CitiBank team suggesting credit conditions will keep tightening and investors should remain "modestly bearish" on risky assets while the Goldman Sachs team are standing firm on their bullish outlook for US credit suggesting companies can handle tighter lending standards. A buck each way then.

In a classic game of tit-for-tat, the G7 called for the "extension, full implementation and expansion" of a critical deal to export Ukrainian grain through the Black Sea, although Russia has threatened to withdraw their safe-haven protection should the G7 proceed with a total ban on most Russian exports.

## The week ahead ...

The US Q1 reporting season continues this week but, beyond that, from the US we also have the advance estimate for Q1 GDP, personal income and spending, PCE price index, durable goods orders, and new home sales. Elsewhere, we have Euro-zone, German and French GDP, inflation prints from Germany, France and Australia, and the first monetary policy decision under new BoJ Governor Kazuo Ueda, although don't expect fireworks.

RIP to our favourite Aussie, the legendary Dame Edna.



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# Daily Rates

Monday 24 April 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.10					CAD	0.8316	0.9058
NZD/USD	0.6141	-0.0001	-0.0004	-0.0009	-0.0031	CHF	0.5480	0.5976
NZD/AUD	0.9251	-0.0013	-0.0039	-0.0078	-0.0147	CNY	4.2276	4.6077
NZD/JPY	82.31	-0.38	-1.17	-2.37	-4.70	DKK	4.1638	4.5415
NZD/EUR	0.5583	-0.0010	-0.0031	-0.0059	-0.0113	FJD	1.3429	1.4647
NZD/GBP	0.4939	-0.0005	-0.0011	-0.0020	-0.0036	HKD	4.8191	5.2563
						KRW	816.36	890.41
AU TWI	60.60					MYR	2.7235	2.9706
AUD/USD	0.6698	0.0008	0.0025	0.0047	0.0068	NOK	6.4703	7.0572
AUD/NZD	1.0901	0.0012	0.0045	0.0091	0.0161	SEK	6.3129	6.8855
AUD/JPY	89.73	-0.30	-0.90	-1.84	-3.77	SGD	0.8190	0.8932
AUD/EUR	0.6095	-0.0003	-0.0008	-0.0013	-0.0028	TWD	18.81	20.52
AUD/GBP	0.5387	0.0002	0.0010	0.0024	0.0047	ZAR	11.12	12.12
USD Index	101.72					<b>EQUITIES</b>		
EUR/USD	1.0989	0.0018	0.0054	0.0099	0.0163		<b>Index</b>	
USD/JPY	134.15	-0.60	-1.83	-3.66	-6.98	NZX50	11,928	
GBP/USD	1.2430	0.0008	0.0021	0.0031	0.0022	ASX200	7,330	
EUR/GBP	0.8836	0.0008	0.0028	0.0057	0.0115	Dow Jones	33,809	
						S&P 500	4,134	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,914	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,882	
30 day bank bills			5.39%		3.66%	Nikkei	28,564	
90 day bank bills			5.59%		3.73%	<b>COMMODITIES</b>		
1 year swap			5.56%		3.76%		<b>USD</b>	
2 year swap			5.01%		3.64%	Brent Crude	81.66	
3 year swap			4.64%		3.54%	Gold	1,982.89	
5 year swap			4.30%		3.53%	Silver	25.03	
10 year swap			4.20%		3.85%	Iron Ore	117.21	
3 year Govt bond			4.38%		3.15%	CRB Index	298.13	
5 year Govt bond			4.17%		3.23%		<b>NZD</b>	
10 year Govt bond			4.20%		3.55%	NZ Carbon	61.15	

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