

Market Alert

Thursday 27 April 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6116	-0.0009
NZD/AUD	0.9272	-0.0083
NZD/JPY	81.76	-2.39
NZD/EUR	0.5543	-0.0060
NZD/GBP	0.4907	-0.0020
NZD/CNH	4.2474	-0.0668
AUD/USD	0.6595	0.0048
AUD/EUR	0.5975	-0.0012
EUR/USD	1.1033	0.0098
USD/CNH	6.9443	-0.0987
GBP/USD	1.2464	0.0026
EUR/GBP	0.8851	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.60%
90 day bills	5.57%	3.73%
2 year swap	4.90%	3.46%
10 year Govt	4.10%	3.39%

Australia continues to get a bang for every hike!

The RBA maintained its excellent forecasting record and justified its decision to pause its hiking cycle at last month's meeting, after Q1 headline inflation fell from 7.8% to 7.0%, while the RBA's preferred measure, the trimmed mean gauge, also slowed to 6.6% in Q1 compared with 6.9% in Q4 last year. As a result of this weaker than expected print, pricing for next week's RBA meeting fell from a 20% chance of a 25bps hike to a 5% chance it will cut 25bps! The AUD also came under selling pressure with the AUD/USD falling from around the 0.6630 level to 0.6595.

In New Zealand, the RBNZ has come up with a proposal to support the local housing market, as well, let's be honest, you can't win an election when house

prices are down 20%-25%, by lifting the current LVR restrictions for low deposit borrowers from 10% to 15% of new bank lending. We also saw the NZ trade deficit plummet to \$1,273m as exports and imports surged. Like the AUD, the NZD also came under selling pressure overnight trading at a low of 0.6111.

The Riksbank hiked by 50bps to 3.50%, as was expected, the central bank also signalled they would likely hike another 25bps in June or September. However, two members argued for a smaller increase today while projections suggested the next hike would likely be the last one.

The BoC minutes showed the consensus was "that inflation was declining in line with their view. Officials agreed that market expectations for a cut later in 2023 did not seem to be the most likely scenario, and agreed there was a sense that the economy was proving a little stronger than they had expected early in the year, and that it was important to continue to signal that it was prepared to hike further."

US equities have been trading in 'the green' after Microsoft and Alphabet produced better than expected results, although European markets slid as earnings there disappointed. The US-dollar weakened while treasury yields firmed.

Looking at the data.

In the US, durable goods orders rose a more than expected 3.2% last month after dropping a revised 1.2% in February,

wholesale inventories increased 0.1% in March, which was at the same pace as February's increase, while mortgage applications rose 3.7% in the week ended 21 April, rebounding from an 8.8% fall the previous week. In Europe, the German government raised its 2023 GDP growth forecast to 0.4%, which twice as fast as previously expected.

Policymaker Boris Vujcic has advised that the ECB has no choice but to raise rates further "until we see a change" in the inflation trend as "core inflation is stubbornly high."

Governor Ueda announced, "The BoJ's monetary easing is not aimed at funding government spending. Consideration towards government debt-financing cost won't constrain necessary monetary policy moves."

Goldman's flow model has suggested quants are "out of ammo" for buying stocks after managers loaded up on more than USD170 billion of global shares in the past month, driving exposures to their highest levels since early 2022. Unfortunately, they'd be forced to unwind up to USD276 billion should the market sell-off in the next month the model shows.

Heaven help tomorrow's leaders! With university's becoming increasingly political, Jacinda Ardern is off to Harvard where she will study and speak on tech governance and leadership!



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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	70.30					CAD	0.8343	0.8997
NZD/USD	0.6116	-0.0001	-0.0003	-0.0009	-0.0035	CHF	0.5451	0.5878
NZD/AUD	0.9272	-0.0014	-0.0041	-0.0083	-0.0154	CNY	4.2460	4.5809
NZD/JPY	81.76	-0.41	-1.20	-2.39	-4.66	DKK	4.1309	4.4544
NZD/EUR	0.5543	-0.0011	-0.0032	-0.0060	-0.0115	FJD	1.3427	1.4479
NZD/GBP	0.4907	-0.0004	-0.0011	-0.0020	-0.0034	HKD	4.8009	5.1769
						KRW	818.24	882.32
AU TWI	59.80					MYR	2.7247	2.9381
AUD/USD	0.6595	0.0009	0.0026	0.0048	0.0068	NOK	6.5131	7.0232
AUD/NZD	1.0781	0.0016	0.0047	0.0092	0.0167	SEK	6.3189	6.8138
AUD/JPY	88.16	-0.31	-0.90	-1.81	-3.61	SGD	0.8169	0.8808
AUD/EUR	0.5975	-0.0003	-0.0008	-0.0012	-0.0027	TWD	18.79	20.26
AUD/GBP	0.5291	0.0003	0.0011	0.0026	0.0051	ZAR	11.23	12.11
USD Index	101.49					EQUITIES		
EUR/USD	1.1033	0.0020	0.0055	0.0098	0.0158		Index	
USD/JPY	133.66	-0.65	-1.89	-3.70	-6.91	NZX50	11,935	
GBP/USD	1.2464	0.0009	0.0021	0.0026	0.0011	ASX200	7,316	
EUR/GBP	0.8851	0.0010	0.0027	0.0057	0.0116	Dow Jones	33,322	
						S&P 500	4,050	
INTEREST RATES			New Zealand		Australia	FTSE100	7,853	
			Mid		Mid	DAX 30	15,796	
30 day bank bills			5.41%		3.66%	Nikkei	28,416	
90 day bank bills			5.57%		3.73%	COMMODITIES		
1 year swap			5.48%		3.63%		USD	
2 year swap			4.90%		3.46%	Brent Crude	77.62	
3 year swap			4.52%		3.37%	Gold	1,987.39	
5 year swap			4.18%		3.37%	Silver	24.84	
10 year swap			4.08%		3.72%	Iron Ore	117.60	
3 year Govt bond			4.25%		2.97%	CRB Index	291.89	
5 year Govt bond			4.05%		3.05%		NZD	
10 year Govt bond			4.10%		3.39%	NZ Carbon	61.00	

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