

Market Alert

Monday 3 April 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6250	-0.0006
NZD/AUD	0.9354	-0.0071
NZD/JPY	83.03	-2.26
NZD/EUR	0.5768	-0.0059
NZD/GBP	0.5066	-0.0019
NZD/CNH	4.2985	0.0000
AUD/USD	0.6688	0.0044
AUD/EUR	0.6165	-0.0018
EUR/USD	1.0845	0.0101
USD/CNH	6.8702	0.0000
GBP/USD	1.2333	0.0032
EUR/GBP	0.8791	0.0056

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.26%	3.77%
2 year swap	5.02%	3.49%
10 year Govt	4.27%	3.40%

Unprecedented

... is one way to describe the Warriors performance this year ... and it should also probably be used to describe the circus around Donald Trump's indictment for hush money payments! Expect to see lots of mug-shot photos of the ex-President on Tuesday/Wednesday, and let's not even start the discussion on how light this morning was, with the clocks having been turned back over the weekend.

Friday saw the release of the Federal Reserve's preferred inflation measure, PCE deflator, which eased substantially from January's print and was slightly lower than expected. Headline PCE inflation increase 0.3% on the month, and 5.0% on the year, against forecasts

at 0.3% and 5.1%, while the core measure increased 0.3% and 4.6% against expectations at 0.4% and 4.7% respectively after food prices rallied 0.2% while energy prices declined 0.4%.

In the other US releases, personal spending rose 0.2% in February, slower than the 0.3% estimate, Chicago PMIs increased from 43.6 to 43.8, while the University of Michigan sentiment index eased to 62.0 from 63.4 as expectations plummeted to 59.2 from 61.5 with 1-yr inflation forecast to fall to 3.6% and 5-10-yr inflation projected to be at 2.9%

There was also good news on European inflation after it fell to its lowest level since February 2022, easing to 6.9% which was also below forecasts at 7.1%, although there was some bad news as the core measure hit a fresh record high of 5.7% to maintain the pressure on policy makers.

International equity markets liked the broadly positive inflation prints from the US and the Eurozone, which saw exchanges rally 0.5%-1.5% to lock in a second-straight quarter of gains. It was a similar story for commodities with oil prices 1.75% higher and expected to gap further higher after Saudi Arabia et al announced a cut to production of 1 million barrels per day. Gold eased -0.5%. Treasury yields eased, with the 2-yr bond 6bps lower at 4.04% while the 10-yr eased 8bps to 3.47%, which saw the USD-index ease towards the 102.00 level with the NZD and AUD posting modest gains.

Why do economists always view the glass as half empty?

Because economists love getting their names in the headlines, and you only get that with a 'doom and gloom' predication! So it was unsurprising that there were a few warnings after the world's leading economists spent the weekend together at Lake Como in Italy where, unfortunately, even the picturesque setting didn't improve their outlook! Nouriel Roubini warned "*we cannot achieve price stability, maintain economic growth, and have financial stability at the same time,*" while Mohamed El-Erian added that an "*erosion in trust*" caused by a banking crisis would lead to further "*economic contagion.*" Separately, Nomura volatility strategist Vincenzo Inguscio said the slide in US money supply is the "*elephant in the room*" and signalled the Fed should pause its balance sheet reduction.

The week ahead

But while last week was data lite, this week will be a busy one with, from the US, nonfarm payrolls, JOLTS job openings, and ISM services and manufacturing PMIs. We also have the RBA on Tuesday, where it is expected it will leave interest rates unchanged, while the RBNZ is expected to hike the OCR another 25bps to 5.0% on Wednesday. China releases the Caixin Manufacturing PMIs for March while Japan releases its Tankan Manufacturers' Index for Q1.



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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	71.30					CAD	0.8436	0.9035
NZD/USD	0.6250	0.0000	-0.0001	-0.0006	-0.0030	CHF	0.5718	0.6103
NZD/AUD	0.9354	-0.0010	-0.0034	-0.0071	-0.0148	CNY	4.3055	4.6055
NZD/JPY	83.03	-0.41	-1.14	-2.26	-4.58	DKK	4.2921	4.5929
NZD/EUR	0.5768	-0.0010	-0.0031	-0.0059	-0.0120	FJD	1.3643	1.4599
NZD/GBP	0.5066	-0.0003	-0.0011	-0.0019	-0.0040	HKD	4.9059	5.2497
						KRW	816.32	873.53
AU TWI	60.30					MYR	2.7563	2.9494
AUD/USD	0.6688	0.0007	0.0022	0.0044	0.0072	NOK	6.5124	6.9688
AUD/NZD	1.0677	0.0010	0.0035	0.0075	0.0153	SEK	6.4991	6.9546
AUD/JPY	88.74	-0.33	-0.90	-1.77	-3.57	SGD	0.8316	0.8899
AUD/EUR	0.6165	-0.0004	-0.0012	-0.0018	-0.0032	TWD	19.08	20.42
AUD/GBP	0.5421	0.0002	0.0008	0.0020	0.0043	ZAR	11.11	11.89
USD Index	102.59					EQUITIES		
EUR/USD	1.0845	0.0018	0.0056	0.0101	0.0170		Index	
USD/JPY	132.79	-0.66	-1.79	-3.50	-6.69	NZX50	11,885	
GBP/USD	1.2333	0.0007	0.0021	0.0032	0.0032	ASX200	7,178	
EUR/GBP	0.8791	0.0009	0.0028	0.0056	0.0109	Dow Jones	33,274	
						S&P 500	4,109	
INTEREST RATES			New Zealand		Australia	FTSE100	7,632	
			Mid		Mid	DAX 30	15,629	
30 day bank bills			5.09%		3.68%	Nikkei	28,041	
90 day bank bills			5.26%		3.77%	COMMODITIES		
1 year swap			5.35%		3.56%		USD	
2 year swap			5.02%		3.49%	Brent Crude	79.89	
3 year swap			4.71%		3.41%	Gold	1,967.90	
5 year swap			4.41%		3.44%	Silver	24.07	
10 year swap			4.28%		3.76%	Iron Ore	125.64	
3 year Govt bond			4.50%		2.99%	CRB Index	293.90	
5 year Govt bond			4.32%		3.07%		NZD	
10 year Govt bond			4.27%		3.40%	NZ Carbon	54.50	

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