

# Market Alert

Tuesday 4 April 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6297	-0.0007
NZD/AUD	0.9279	-0.0071
NZD/JPY	83.36	-2.31
NZD/EUR	0.5775	-0.0060
NZD/GBP	0.5070	-0.0020
NZD/CNH	4.3290	-0.0658
AUD/USD	0.6785	0.0045
AUD/EUR	0.6222	-0.0017
EUR/USD	1.0904	0.0101
USD/CNH	6.8755	-0.0967
GBP/USD	1.2417	0.0034
EUR/GBP	0.8778	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	4.75%	3.60%
90 day bills	5.27%	3.75%
2 year swap	5.02%	3.40%
10 year Govt	4.17%	3.41%

## There's no 'togetherness' in the oil community!

OPEC+ continues to work on their strategy that it's not about what is good for everyone, it's about what is best for them, after they announced plans to cut production by 1m barrels per day. Oil prices immediately jumped 6.25%, while Goldmans raised their Brent December 2023 forecast from USD90.00 to USD95.00.

Today's focus is going to be on the RBA this afternoon, but ahead of the announcement, Australian manufacturing PMIs fell from 50.5 to 49.1 in March, home loans fell -0.9% in February against forecasts for a -1.8% contraction, while building permits increased 4.0%, when a -2.6% fall had

been expected. Interestingly, there are murmurings the RBA could surprise and hike 25bps today, but Mr. Lowe isn't one for surprises and we think the market pricing is about right, with no change expected.

Chinese Caixin manufacturing PMIs unexpectedly eased from 51.7 to 50.0 in March as "External demand weakened amid a global economic downturn, with new export orders falling back into contraction for the seventh time in the past eight months." In Japan, the tankan survey showed that Japanese firms continue to expect consumer prices to keep rising, while S&P manufacturing PMIs increased from 47.7 to 49.2.

Euro-area manufacturing PMIs fell, easing from February's 48.5 to 47.3, while ECB VP, Luis de Guindos, announced that while, "headline CPI is likely to fall this year, underlying inflation is likely to stay firm. The interplay between higher wage levels, higher profit margins, higher prices may fuel longer-term inflation." Finally, UBS will lay off 20%-30% of its workforce following the 'merger' with Credit Suisse - up to 11k workers in Switzerland with another 25k worldwide.

In the US, the Atlanta Fed GDPNow estimate for Q1 growth fell from 2.5% to 1.7%, while ISM manufacturing PMIs produced their lowest print in three years, falling to 46.3, which was below market expectations of 47.5, as companies continue to slow output to match demand.

## The New Zealand outlook continues to deteriorate

Fonterra lowered its 2022/23 season forecast farmgate milk price mid-point by 20 cents, from NZD8.50 to NZD8.30/kgMS as Chinese demand remained weak while competitor northern hemisphere milk production increased.

The RBNZ 'Shadow Board' recommends a smaller OCR increase of 25bps this week, although two members recommended the RBNZ leave the OCR unchanged at 4.75%.

## Blackrock warning

Blackrock upgraded its Q2 global outlook, with the main theme being that central banks can't have both low inflation and solid growth. They continue to see recessions looming and are conscious there is potential for a Bank of Japan shift in sentiment given, "Inflation is near a four-decade high, and with higher wages, paves the way for the BoJ to move away from its ultra-loose monetary policy."

International equity markets started Q2 in positive territory, despite the OPEC+ news. Surprisingly, treasury yields eased a touch, with the US 10-yr yield 5bps lower at 3.42%, while the USD weakened, which pushed the NZD/USD and AUD/USD towards their overnight highs.



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# Daily Rates

Tuesday 4 April 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.00					CAD	0.8454	0.9109
NZD/USD	0.6297	0.0000	-0.0001	-0.0007	-0.0027	CHF	0.5748	0.6194
NZD/AUD	0.9279	-0.0010	-0.0033	-0.0071	-0.0148	CNY	4.3253	4.6656
NZD/JPY	83.36	-0.40	-1.13	-2.31	-4.64	DKK	4.3027	4.6361
NZD/EUR	0.5775	-0.0010	-0.0030	-0.0060	-0.0122	FJD	1.3665	1.4724
NZD/GBP	0.5070	-0.0003	-0.0010	-0.0020	-0.0044	HKD	4.9431	5.3262
						KRW	823.69	887.52
AU TWI	60.20					MYR	2.7814	2.9969
AUD/USD	0.6785	0.0007	0.0022	0.0045	0.0070	NOK	6.4758	6.9776
AUD/NZD	1.0772	0.0011	0.0036	0.0079	0.0162	SEK	6.5236	7.0291
AUD/JPY	89.82	-0.33	-0.91	-1.81	-3.68	SGD	0.8350	0.8998
AUD/EUR	0.6222	-0.0004	-0.0012	-0.0017	-0.0033	TWD	19.18	20.67
AUD/GBP	0.5463	0.0002	0.0008	0.0020	0.0040	ZAR	11.20	12.07
USD Index	102.04					<b>EQUITIES</b>		
EUR/USD	1.0904	0.0018	0.0055	0.0101	0.0167		<b>Index</b>	
USD/JPY	132.38	-0.64	-1.77	-3.53	-6.66	NZX50	11,839	
GBP/USD	1.2417	0.0007	0.0021	0.0034	0.0037	ASX200	7,223	
EUR/GBP	0.8778	0.0009	0.0028	0.0056	0.0107	Dow Jones	33,601	
						S&P 500	4,124	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,673	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,581	
30 day bank bills			5.12%		3.68%	Nikkei	28,188	
90 day bank bills			5.27%		3.75%	<b>COMMODITIES</b>		
1 year swap			5.35%		3.61%		<b>USD</b>	
2 year swap			5.02%		3.40%	Brent Crude	84.96	
3 year swap			4.69%		3.32%	Gold	1,984.12	
5 year swap			4.34%		3.43%	Silver	23.96	
10 year swap			4.18%		3.75%	Iron Ore	125.64	
3 year Govt bond			4.46%		3.02%	CRB Index	297.98	
5 year Govt bond			4.25%		3.09%		<b>NZD</b>	
10 year Govt bond			4.17%		3.41%	NZ Carbon	58.00	

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