

# Market Alert

Thursday 11 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6365	-0.0013
NZD/AUD	0.9390	-0.0078
NZD/JPY	85.50	-2.55
NZD/EUR	0.5795	-0.0064
NZD/GBP	0.5041	-0.0022
NZD/CNH	4.4147	-0.0733
AUD/USD	0.6777	0.0042
AUD/EUR	0.6170	-0.0017
EUR/USD	1.0981	0.0098
USD/CNH	6.9368	-0.1012
GBP/USD	1.2626	0.0025
EUR/GBP	0.8697	0.0058

  

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.65%	3.93%
2 year swap	5.04%	3.54%
10 year Govt	4.24%	3.54%

## The good, the bad, and the ugly

The weeks highlight, US CPI, was out earlier this morning and, as usual, there was the good, the bad, and the ugly! The good was the fact the headline inflation rate slowed from 5.0% to 4.9%; the bad saw the annual core rate of inflation remain elevated, falling only marginally from 5.6% to 5.5%; while the ugly fact was that the 0.4% monthly gain was well above the average 0.17% monthly rate required to bring the annual rate of inflation down to 2.0%! Interestingly, a Bloomberg calculation of Jerome Powell's favoured 'super-core' services measure rose 0.11%, its smallest increase since July.

US equity markets initially jumped on the release, although they are currently mixed, while European bourses closed their session in negative territory. The USD weakened, and treasury yields eased, with the 2 and 10-years -11bps and -7bps lower at 3.91% and 3.45% respectively. The NZD was, once again, the out-performer as the AUD and EUR lagged, which pushed the NZD/AUD closer to the 0.9400 level. Commodity prices were also lower, with oil off -1.5% while copper inventory marked for withdrawal from LME warehouses fell to the lowest on record, signalling weakening demand.

Ratings agency Moody's announced the US debt ceiling is now a "real threat. We now assign a 10% probability to a breach. What once seemed unimaginable now seems a real threat." At least President Biden's debt discussions with Republican Kevin McCarthy "were productive" although the cost to insure US debt against a default is now more expensive than the bonds of Greece, Mexico, and Brazil. Expect US debt ceiling uncertainty to increasingly dominate the newswires (and market 'risk-off' sentiment) over the coming weeks.

ECB President Christine Lagarde warned that while inflation is significantly below its peak, "significant upside risks remain," although ECB colleague Mario Centeno added an optimistic note stating, "Interest rates historically are not high, but they are rising quickly. Rates should start to come down sometime in 2024."

Australian business confidence slipped 3.4 pips to 90.2 in April as "only 38.7% of businesses expect they will be 'better off' financially this time next year." Also, the Australian Trade Minister is due to head to China today for the first in-person meeting between the two countries' trade officials since 2019.

Goldman Sachs expects "the RBNZ to hike the OCR by 25bps at its May meeting (previously on hold) before leaving rates on hold for the remainder of this year at 5.50%. We continue to think that policy convergence should eventually benefit AUD/NZD, as we expect an additional hike from the RBA in July, while pricing for the upcoming RBNZ meeting seems less likely to be realised."

Norwegian inflation edged down to 6.4% in April, from 6.5%, although it was significantly above market expectations of 6.1%.

## Say goodbye to the USD

In yet another shot across the bow for the USD, Suzano, the largest paper and pulp company in Latin America, is considering selling its products to China priced in yuan.

The S&P Global composite PMI Output Index reached its highest level in 16-months, rallying from 53.4 to 54.2 in March, although it should be noted it was the service sector that drove the composite higher rather than manufacturing.



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# Daily Rates

Thursday 11 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.10					CAD	0.8513	0.9064
NZD/USD	0.6365	-0.0001	-0.0004	-0.0013	-0.0047	CHF	0.5658	0.6026
NZD/AUD	0.9390	-0.0013	-0.0039	-0.0078	-0.0152	CNY	4.4060	4.6892
NZD/JPY	85.50	-0.41	-1.27	-2.55	-4.94	DKK	4.3140	4.5932
NZD/EUR	0.5795	-0.0011	-0.0033	-0.0064	-0.0128	FJD	1.3780	1.4672
NZD/GBP	0.5041	-0.0004	-0.0013	-0.0022	-0.0039	HKD	4.9844	5.3070
						KRW	839.19	893.51
AU TWI	61.10					MYR	2.8362	3.0198
AUD/USD	0.6777	0.0008	0.0024	0.0042	0.0056	NOK	6.6840	7.1166
AUD/NZD	1.0645	0.0013	0.0042	0.0085	0.0168	SEK	6.5028	6.9237
AUD/JPY	91.03	-0.33	-0.99	-1.98	-3.87	SGD	0.8432	0.8978
AUD/EUR	0.6170	-0.0004	-0.0010	-0.0017	-0.0038	TWD	19.52	20.79
AUD/GBP	0.5367	0.0003	0.0009	0.0022	0.0043	ZAR	12.00	12.78
USD Index	101.45					<b>EQUITIES</b>		
EUR/USD	1.0981	0.0018	0.0055	0.0098	0.0157		<b>Index</b>	
USD/JPY	134.33	-0.63	-1.93	-3.74	-6.84	NZX50	11,987	
GBP/USD	1.2626	0.0008	0.0019	0.0025	0.0004	ASX200	7,256	
EUR/GBP	0.8697	0.0008	0.0027	0.0058	0.0120	Dow Jones	33,517	
						S&P 500	4,143	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,741	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,896	
30 day bank bills			5.54%		3.86%	Nikkei	29,122	
90 day bank bills			5.65%		3.93%	<b>COMMODITIES</b>		
1 year swap			5.61%		3.78%		<b>USD</b>	
2 year swap			5.04%		3.54%	Brent Crude	76.60	
3 year swap			4.65%		3.40%	Gold	2,030.89	
5 year swap			4.29%		3.47%	Silver	25.38	
10 year swap			4.22%		3.82%	Iron Ore	106.05	
3 year Govt bond			4.38%		3.17%	CRB Index	289.46	
5 year Govt bond			4.16%		3.20%		<b>NZD</b>	
10 year Govt bond			4.24%		3.54%	NZ Carbon	54.00	

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