

Market Alert

Wednesday 24 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6248	-0.0019
NZD/AUD	0.9453	-0.0090
NZD/JPY	86.55	-2.72
NZD/EUR	0.5800	-0.0073
NZD/GBP	0.5034	-0.0029
NZD/CNH	4.4145	-0.0769
AUD/USD	0.6609	0.0042
AUD/EUR	0.6135	-0.0022
EUR/USD	1.0768	0.0099
USD/CNH	7.0657	-0.1017
GBP/USD	1.2411	0.0028
EUR/GBP	0.8676	0.0057

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.88%	3.97%
2 year swap	5.53%	3.85%
10 year Govt	4.55%	3.74%

Rod Stewart probably said it best when he sung ...

"Tonight's the night. It's gonna be alright. 'Cause I love you Adrian. Ain't nobody gonna stop us now!" And at 1400 hundred hours NZST, we'll find out just how much Adrian really loves us!

The US Treasury reportedly asked agencies if payments could be delayed, and Republican lawmaker McHenry announced, *"we still have significant differences on spending"* when discussing the debt ceiling negotiations, equity markets moved into the red and the USD benefited from safe haven buying. European and US bourses were -1.0% to -1.5% lower while the USD rallied to a 2.5-month high near the 103.50 level. This saw the NZD and the AUD fall -0.6%, while the EUR/USD fell below the

psychological 1.0800 level. Commodity and bond markets were flat with the 2 and 10-yr treasuries yielding 4.34% and 3.695% respectively.

Looking at the PMIs

The preliminary US composite PMI estimate printed at 54.5, which was above April's 53.4 and ahead of forecasts at 50, as service sector growth accelerated to a 13-month high while manufacturing made marginal gains. The Eurozone's preliminary estimate saw the composite PMI index fall to a 3-month low at 53.3 which was below April's 54.1 and expectations at 53.7, while Japan's preliminary PMI print for May surprised to the top side after manufacturing increased to 50.8 from 49.5 while services jumped to 56.3 from 55.4. The UK preliminary composite PMI fell to 53.9 from April's 12-month high of 54.9, which was also below forecasts at 54.6.

In other headlines, US new home sales unexpectedly jumped 4.1% to a seasonally adjusted annualised rate of 683,000 in April, its highest level since March 2022, the Richmond Fed's manufacturing index fell from -10 to -15 in May, and Australian weekly consumer confidence firmed slightly to 77.9 from 75.9.

ECB President Christine Lagarde announced, *"ECB rates are to stay restrictive for as long as necessary"* while Joachim Nagel added, *"Several interest-rate hikes are still needed."* On the other side of the Atlantic, Neel Kashkari confirmed, *"if*

inflation stays high, if inflation became more entrenched than we realised, then we're going to have to keep interest rates higher for longer, and that's going to increase the pressures on the banking sector."

Jumping on the bandwagon

JPMorgan CEO Jamie Dimon has urged markets to brace themselves for higher interest rates. The bank also cut its equity and corporate credit allocations further in favour of cash.

UBS analysts stated they, *"don't think the likelihood of tighter credit conditions and lower growth is adequately reflected in US equity market pricing today."*

The Chinese unofficial mouthpiece of the communist party, the Global Times, announced, *"there is no basis for long-term yuan depreciation"* as USD/CNY spiked above the 7:06 level while the China Securities Journal added *"there is a high probability that the LPR will remain stable, and overall loan interest rates will be mainly stable."* Meanwhile, in a tick-for-tac measure, the US energy department cancelled a USD 200 million grant to Microvast Holdings for a lithium battery facility in Tennessee over the company's links to the Chinese government.

While financial regulators were quick to charge 19 traders, and jail 9, for LIBOR rigging, a BBC report has uncovered evidence that during October 2008 the BoE, ECB, Banca d'Italia, Banco de Espana, and the Federal Reserve of New York entered co-ordinated manipulation to rig LIBOR and EURIBOR fixings.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Wednesday 24 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.40					CAD	0.8437	0.8924
NZD/USD	0.6248	-0.0002	-0.0007	-0.0019	-0.0054	CHF	0.5635	0.5961
NZD/AUD	0.9453	-0.0014	-0.0043	-0.0090	-0.0173	CNY	4.4073	4.6626
NZD/JPY	86.55	-0.45	-1.32	-2.72	-5.40	DKK	4.3206	4.5702
NZD/EUR	0.5800	-0.0013	-0.0036	-0.0073	-0.0147	FJD	1.3708	1.4500
NZD/GBP	0.5034	-0.0005	-0.0015	-0.0029	-0.0055	HKD	4.8964	5.1793
						KRW	825.09	872.76
AU TWI	60.90					MYR	2.8535	3.0183
AUD/USD	0.6609	0.0008	0.0022	0.0042	0.0059	NOK	6.8464	7.2409
AUD/NZD	1.0576	0.0016	0.0046	0.0097	0.0185	SEK	6.6394	7.0224
AUD/JPY	91.57	-0.34	-0.99	-2.05	-4.16	SGD	0.8415	0.8902
AUD/EUR	0.6135	-0.0004	-0.0011	-0.0022	-0.0043	TWD	19.23	20.35
AUD/GBP	0.5325	0.0003	0.0009	0.0019	0.0036	ZAR	12.00	12.69
USD Index	103.54					EQUITIES		
EUR/USD	1.0768	0.0019	0.0053	0.0099	0.0174		Index	
USD/JPY	138.56	-0.67	-1.95	-3.94	-7.47	NZX50	11,944	
GBP/USD	1.2411	0.0008	0.0020	0.0028	0.0018	ASX200	7,260	
EUR/GBP	0.8676	0.0010	0.0029	0.0057	0.0124	Dow Jones	33,115	
						S&P 500	4,152	
INTEREST RATES			New Zealand		Australia	FTSE100	7,763	
			Mid		Mid	DAX 30	16,153	
30 day bank bills			5.70%		3.87%	Nikkei	30,958	
90 day bank bills			5.88%		3.97%	COMMODITIES		
1 year swap			6.03%		4.01%		USD	
2 year swap			5.53%		3.85%	Brent Crude	76.97	
3 year swap			5.10%		3.72%	Gold	1,974.92	
5 year swap			4.67%		3.69%	Silver	23.42	
10 year swap			4.50%		4.01%	Iron Ore	107.16	
3 year Govt bond			4.81%		3.43%	CRB Index	288.89	
5 year Govt bond			4.56%		3.43%		NZD	
10 year Govt bond			4.55%		3.74%	NZ Carbon	54.00	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED