

Market Alert

Tuesday 30 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6056	-0.0007
NZD/AUD	0.9260	-0.0076
NZD/JPY	85.02	-2.57
NZD/EUR	0.5654	-0.0063
NZD/GBP	0.4901	-0.0016
NZD/CNH	4.3002	-0.0697
AUD/USD	0.6539	0.0045
AUD/EUR	0.6104	-0.0019
EUR/USD	1.0709	0.0104
USD/CNH	7.0839	-0.1063
GBP/USD	1.2356	0.0020
EUR/GBP	0.8667	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.50%	3.85%
90 day bills	5.73%	4.00%
2 year swap	5.22%	3.88%
10 year Govt	4.45%	3.79%

With last night being national holidays across a fair part of the globe ...

... financial markets were lacklustre.

Looking at my screens this morning, not a lot appears to have changed. Equity markets that were open were mixed, as were commodity markets, although it should be noted that copper sold off -3.5%. FX markets flatlined, swap market pricing was slightly lower, while bond markets lacked direction with treasury markets closed. All up, last night was a snooze-fest!

But it is all kicking off in Turkey after Recep Tayyip Erdogan won his election runoff. In extending his rule into a third decade, the prospect of a more confrontational approach to the 'West' heightened the uncertainty for investors,

which saw the Turkish lira weakened to a fresh, record low, having fallen -6.0% since the start of the year.

And while US President Joe Biden delivered his feedback on the debt limit agreement, stating it was, "good news," Goldmans announced the extension would reduce federal spending resulting in a -0.1% contraction in US GDP in 2024. Meanwhile, according to BoA, the Fed needs three conditions for a further Fed rate hike namely, "strong economic data, an increase in the debt ceiling, and subdued regional bank stress."

IMF MD Kristalina Georgieva announced that, "US inflation remains stubbornly high. PCE is telling us that the job is not quite yet done. Frankly, we need to continue to follow the data and see how much it would take to bring inflation back to target," before adding on the regional banking crisis, that, "Unrealized losses from holdings of long duration securities would increase in both banks and nonbanks and the cost of new financing for both households and corporates could become unmanageable. Such a tightening of financial conditions could trigger an increase in bankruptcies and worsen credit quality."

ECB policy maker Gabriel Makhlof said the central bank is near the "top of the ladder" on rate hikes, while colleague Pierre Wunsch highlighted the need for fiscal policy support to slow inflation. In the UK, former BoE hawk Willem Buiter warned interest rates must be hiked to at least 6.0% to stamp out stubborn UK inflation.

Here's some interesting facts, in 2026 the Le Mans 24-hour race will allow hydrogen powered cars to compete, while Jeff Bezos has just got engaged, spending a reported USD2.5m-USD5m on the ring. It must have been his hair cut that swung it!

The Antipodean centric section.

Despite the market pricing in a 60.0% chance of a further RBNZ hike by October, one of the local banks has gone against the grain suggesting, "The May meeting signalled the peak in the tightening cycle. The next move is a rate cut, but not for a while yet. The RBNZ looks to be on hold for the remainder of 2023. Now's the time to wait and see how previous hikes wash through the economy. Monetary policy is beginning to bite."

But it is a different situation in Australia where RBA Governor Philip Lowe warned that pay increases of more than 2.0%-3.0% for workers would worsen inflation and force the central bank into a new round of rate hikes, while UBS expects "the RBA to actively engage in QT from the start of next year, provided there are no particular stresses in funding markets. As for the RBA's cash rate, UBS expect a rate hike at the July meeting."



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Daily Rates

Tuesday 30 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.8230	0.8886
NZD/USD	0.6056	-0.0001	-0.0002	-0.0007	-0.0023	CHF	0.5475	0.5912
NZD/AUD	0.9260	-0.0013	-0.0037	-0.0076	-0.0146	CNY	4.2812	4.6240
NZD/JPY	85.02	-0.41	-1.27	-2.57	-5.04	DKK	4.2115	4.5474
NZD/EUR	0.5654	-0.0011	-0.0032	-0.0063	-0.0125	FJD	1.3419	1.4489
NZD/GBP	0.4901	-0.0004	-0.0010	-0.0016	-0.0023	HKD	4.7408	5.1189
						KRW	801.09	864.99
AU TWI	60.20					MYR	2.7870	3.0092
AUD/USD	0.6539	0.0008	0.0023	0.0045	0.0071	NOK	6.7310	7.2678
AUD/NZD	1.0795	0.0013	0.0042	0.0083	0.0151	SEK	6.5527	7.0753
AUD/JPY	91.80	-0.32	-1.02	-2.04	-4.09	SGD	0.8196	0.8850
AUD/EUR	0.6104	-0.0004	-0.0010	-0.0019	-0.0043	TWD	18.54	20.02
AUD/GBP	0.5292	0.0003	0.0010	0.0025	0.0057	ZAR	11.91	12.86
USD Index	104.27					EQUITIES		
EUR/USD	1.0709	0.0018	0.0055	0.0104	0.0191		Index	
USD/JPY	140.41	-0.65	-2.05	-4.05	-7.83	NZX50	11,936	
GBP/USD	1.2356	0.0007	0.0018	0.0020	-0.0001	ASX200	7,217	
EUR/GBP	0.8667	0.0009	0.0030	0.0064	0.0151	Dow Jones	33,093	
						S&P 500	4,205	
INTEREST RATES			New Zealand		Australia	FTSE100	7,627	
			Mid		Mid	DAX 30	15,953	
30 day bank bills			5.63%		3.88%	Nikkei	31,234	
90 day bank bills			5.73%		4.00%	COMMODITIES		
1 year swap			5.74%		4.02%		USD	
2 year swap			5.22%		3.88%	Brent Crude	77.03	
3 year swap			4.87%		3.72%	Gold	1,942.85	
5 year swap			4.53%		3.70%	Silver	23.19	
10 year swap			4.41%		4.01%	Iron Ore	105.41	
3 year Govt bond			4.57%		3.48%	CRB Index	288.45	
5 year Govt bond			4.37%		3.49%		NZD	
10 year Govt bond			4.45%		3.79%	NZ Carbon	55.25	

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