

Market Alert

Thursday 1 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6023	-0.0008
NZD/AUD	0.9259	-0.0072
NZD/JPY	83.87	-2.52
NZD/EUR	0.5635	-0.0064
NZD/GBP	0.4842	-0.0017
NZD/CNH	4.2867	-0.0737
AUD/USD	0.6503	0.0040
AUD/EUR	0.6085	-0.0023
EUR/USD	1.0685	0.0102
USD/CNH	7.1190	-0.1121
GBP/USD	1.2436	0.0021
EUR/GBP	0.8590	0.0065

INT RATES	NZ	Australia
OCR/Cash	5.50%	3.85%
90 day bills	5.71%	4.03%
2 year swap	5.15%	3.84%
10 year Govt	4.35%	3.69%

Americans are still working ... which means one thing!

The JOLTS report highlighted a strong rebound in US job vacancies after the headline number increasing by 358,000 to reach 10.1 million in April highlighting a solid rebound from the prior months near 2-year low at 9.745 million. The strong number reinforced expectations the Fed may raise rates further at their 14-June meeting, which naturally saw equity markets weaken generating a 'sea of red' across international bourses with most exchanges -0.35% to -1.5% lower. Commodity markets also remained weak with oil and gasoline prices -0.5% to -2.0% lower, while gas prices fell -3.35%. Currency markets consolidated after yesterday's sell-off with the AUD and EUR consolidating below the 0.6500 and

1.0700 levels, while the NZD firmed back above the 0.6000 level.

The Fed's beige book highlight noted a strong workforce after employment increased in most districts, although it was at a slower pace, while consumer prices continued to move up due to solid demand and rising costs. Overall, economic activity was little changed in April and early May. Chicago PMIs continued to contract falling to 40.4 against forecasts at 47.1.

Cleveland Fed president, Loretta Mester, announced there is, "no compelling reason to wait until more evidence to decide what to do. There is more of a compelling case for bringing rates up then holding for a while. The debt ceiling deal removes a 'big piece of uncertainty' (although) the decision could still be swayed by NFP and the next inflation report." Against this, Fed colleague Harker said that while "we need to some slowing in the labour market, the Fed doesn't have to hike at every meeting."

In the Eurozone, German inflation declined to 6.1% in the year to May, down from April's 7.2% and below market expectations of 6.5%. It was the lowest print since March 2022, due to slower increases in both energy and food prices.

RBA Governor Lowe testified before Parliament ...

... and stated, "the RBA is in data-dependency mode. Monetary policy is in restrictive territory. There is not a single variable that drives RBA policy decisions.

Inflation expectations are well anchored but can't take this for granted. RBA is serious about its inflation target, but also wants to preserve its labour market gains. Wage growth has not been a source of inflation. If inflation gets entrenched, it would lead to higher interest rates and higher unemployment."

The CPI print certainly implied a higher for longer rhetoric after it came in at 6.8%, which was better than May's 7.0% but a lot worse than forecasts at 6.4%. Significant inputs were housing (8.9%), food and non-alcoholic beverages (7.9%) and transport (7.1%).

PIMCO's base case is for an Australian recession as the country approaches a fixed-rate mortgage cliff as "mortgages switch over with most loans having a 2.5% interest rate, likely moving into floating rate territory around a 5.50%-6.50% rate. The idea that interest rates will come down and we'll miraculously get a soft landing, we think that's a fool's paradise. An Australian recession is now our base case."

Great news, New Zealand business confidence improved in May, but to -31.1 from April's -43.8 highlighting how weak it remains. The own activity also improved, to -4.5 from -7.6.

China official May PMIs told us what we expected with manufacturing falling to 48.8 verse the 51.04 expected 51.4 while services flatlined at 54.5 against the 54.9 forecast.



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Daily Rates

Thursday 1 June 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.90					CAD	0.8173	0.8826
NZD/USD	0.6023	-0.0001	-0.0003	-0.0008	-0.0025	CHF	0.5483	0.5922
NZD/AUD	0.9259	-0.0013	-0.0037	-0.0072	-0.0133	CNY	4.2653	4.6044
NZD/JPY	83.87	-0.42	-1.28	-2.52	-4.96	DKK	4.1964	4.5315
NZD/EUR	0.5635	-0.0011	-0.0034	-0.0064	-0.0128	FJD	1.3378	1.4445
NZD/GBP	0.4842	-0.0004	-0.0011	-0.0017	-0.0024	HKD	4.7159	5.0918
						KRW	796.06	859.50
AU TWI	59.80					MYR	2.7784	2.9998
AUD/USD	0.6503	0.0008	0.0022	0.0040	0.0062	NOK	6.6880	7.2210
AUD/NZD	1.0796	0.0014	0.0042	0.0081	0.0148	SEK	6.5367	7.0576
AUD/JPY	90.58	-0.33	-1.04	-2.04	-4.11	SGD	0.8144	0.8793
AUD/EUR	0.6085	-0.0004	-0.0013	-0.0023	-0.0052	TWD	18.49	19.96
AUD/GBP	0.5227	0.0002	0.0009	0.0021	0.0050	ZAR	11.87	12.82
USD Index	104.27					EQUITIES		
EUR/USD	1.0685	0.0019	0.0056	0.0102	0.0190		Index	
USD/JPY	139.26	-0.67	-2.05	-3.98	-7.67	NZX50	11,813	
GBP/USD	1.2436	0.0008	0.0018	0.0021	0.0000	ASX200	7,091	
EUR/GBP	0.8590	0.0009	0.0031	0.0065	0.0151	Dow Jones	32,904	
						S&P 500	4,189	
INTEREST RATES			New Zealand		Australia	FTSE100	7,446	
			Mid		Mid	DAX 30	15,664	
30 day bank bills			5.62%		3.89%	Nikkei	30,888	
90 day bank bills			5.71%		4.03%	COMMODITIES		
1 year swap			5.69%		4.06%		USD	
2 year swap			5.15%		3.84%	Brent Crude	72.71	
3 year swap			4.77%		3.69%	Gold	1,963.58	
5 year swap			4.40%		3.65%	Silver	23.53	
10 year swap			4.28%		3.93%	Iron Ore	105.20	
3 year Govt bond			4.48%		3.42%	CRB Index	281.07	
5 year Govt bond			4.27%		3.41%		NZD	
10 year Govt bond			4.35%		3.69%	NZ Carbon	54.70	

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