

Market Alert

Wednesday 7 June 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6077	-0.0007
NZD/AUD	0.9106	-0.0059
NZD/JPY	84.88	-2.52
NZD/EUR	0.5683	-0.0063
NZD/GBP	0.4890	-0.0015
NZD/CNH	4.3323	-0.0732
AUD/USD	0.6673	0.0035
AUD/EUR	0.6239	-0.0028
EUR/USD	1.0691	0.0102
USD/CNH	7.1292	-0.1127
GBP/USD	1.2426	0.0022
EUR/GBP	0.8603	0.0064

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.10%
2 year swap	5.24%	4.11%
10 year Govt	4.49%	3.88%

Governor Lowe's 'Yeah ... Nah' moment!

With 2/3rds of economists calling for a pause, RBA Governor Mr. Lowe said 'yeah ... nah' and raised the cash rate 25bps to 4.10%. The statement highlighted that, "Inflation has passed its peak but is still too high. It will be some time yet before it is back in the target range. Economic growth has slowed, and labour market conditions have eased, although they remain very tight. Wages growth has picked up in response to the tight labour market and high inflation. Housing prices are rising again (and while) some households have substantial savings buffers, others are experiencing a painful squeeze on their finances. The path to achieving a soft landing remains a narrow one. Some further tightening of monetary policy may be required to ensure that

inflation returns to target in a reasonable timeframe, but that will depend upon how the economy and inflation evolve."

The rate hike 'lit a match' under the AUD as swap prices immediately jumped 10bps given the hike went against forecasts. These moves were then consolidated overnight while the AUD strength also pulled the NZD higher, but whereas the AUD has reverted into its recent 0.6600-0.6800 range, the NZD is struggling to maintain momentum above the 0.6100 level. This saw the NZD/AUD fall to the 0.9100 level. Apart from the AUD, bonds markets remained calm with 2-yr treasury yields 4bps higher at 4.52%, while the 10-yr is flat at 3.69%. Equity and commodity markets were also flat, although wheat prices were modestly higher following the damage to the Kakhovska hydroelectric dam.

GDT doom and the gloom.

The overnight GDT auction produced another pessimistic print as the index eased a further -0.9%, but of greater concern was the poor performance of WMP which fell -3.0%, and while butter milk powder fell -2.4%, all other products were flat to positive at the auction. And looking at the wider basket of commodity prices, the local commodity index jumped 0.3% in the month of May as "dairy prices lifted although prices for meat, export logs and aluminium fell." In local currency terms the index gained 0.7%, supported by a 0.4% depreciation of the NZD against the USD.

What, the World bank is behind the curve?

Who would have thunk it? The World Bank, never one to be at the cutting edge of economic forecasts, has upgraded its 2023 global growth projections from 1.7% to 2.1%. US GDP has been revised up to 1.1% from 0.5%, the Eurozone should advance by 0.4% against its prior 0.0% call, while China should grow at 5.6%, up from 4.3%. Unfortunately, the Bank has downgraded its 2024 global growth forecast to 2.4% from 2.7% citing the continuing effects of tighter monetary policy.

US economic optimism edged slightly higher to 41.7 from May's 41.6, although it remains deeply pessimistic below the 50 threshold and market forecasts of 45.2.

Growing rumours in China suggest there could be RRR and interest rate cuts in H2 2023 after the China Securities Journal announced, "Low inflationary pressures will provide room for monetary easing." Heck, even one of the local banks has a paper suggesting, "China's post-Covid recovery looks to be stalling but, unlike other central banks, there's pressure to keep policy loose and supportive."

In a shock move, Saudi Arabia will spend billions merging the PGA and LIV tours. I'm sure it's not about the money, it's about what's best for the game!



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Daily Rates

Wednesday 7 June 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.30					CAD	0.8146	0.8945
NZD/USD	0.6077	-0.0001	-0.0002	-0.0007	-0.0024	CHF	0.5515	0.6057
NZD/AUD	0.9106	-0.0011	-0.0031	-0.0059	-0.0125	CNY	4.3247	4.7488
NZD/JPY	84.88	-0.43	-1.25	-2.52	-5.07	DKK	4.2336	4.6488
NZD/EUR	0.5683	-0.0011	-0.0032	-0.0063	-0.0129	FJD	1.3374	1.4685
NZD/GBP	0.4890	-0.0004	-0.0010	-0.0015	-0.0024	HKD	4.7661	5.2335
						KRW	790.45	867.97
AU TWI	61.30					MYR	2.7985	3.0729
AUD/USD	0.6673	0.0007	0.0019	0.0035	0.0051	NOK	6.7399	7.4010
AUD/NZD	1.0979	0.0012	0.0035	0.0068	0.0121	SEK	6.6334	7.2840
AUD/JPY	93.21	-0.37	-1.07	-2.18	-4.58	SGD	0.8194	0.8998
AUD/EUR	0.6239	-0.0005	-0.0014	-0.0028	-0.0071	TWD	18.65	20.48
AUD/GBP	0.5370	0.0002	0.0007	0.0017	0.0036	ZAR	11.67	12.81
USD Index	104.15					EQUITIES		
EUR/USD	1.0691	0.0020	0.0055	0.0102	0.0194		Index	
USD/JPY	139.68	-0.70	-2.00	-4.00	-7.75	NZX50	11,864	
GBP/USD	1.2426	0.0008	0.0018	0.0022	0.0004	ASX200	7,130	
EUR/GBP	0.8603	0.0010	0.0030	0.0064	0.0154	Dow Jones	33,565	
						S&P 500	4,284	
INTEREST RATES			New Zealand		Australia	FTSE100	7,628	
			Mid		Mid	DAX 30	15,992	
30 day bank bills			5.63%		3.94%	Nikkei	32,507	
90 day bank bills			5.71%		4.10%	COMMODITIES		
1 year swap			5.71%		4.30%		USD	
2 year swap			5.24%		4.11%	Brent Crude	76.20	
3 year swap			4.84%		3.95%	Gold	1,962.09	
5 year swap			4.48%		3.83%	Silver	23.59	
10 year swap			4.37%		4.09%	Iron Ore	107.38	
3 year Govt bond			4.60%		3.69%	CRB Index	288.89	
5 year Govt bond			4.41%		3.65%		NZD	
10 year Govt bond			4.49%		3.88%	NZ Carbon	55.75	

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