

Market Alert

Thursday 20 July 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6255	-0.0005
NZD/AUD	0.9312	-0.0062
NZD/JPY	87.40	-2.66
NZD/EUR	0.5587	-0.0058
NZD/GBP	0.4838	-0.0005
NZD/CNH	4.5241	-0.0780
AUD/USD	0.6772	0.0039
AUD/EUR	0.6046	-0.0023
EUR/USD	1.1197	0.0106
USD/CNH	7.2313	-0.1183
GBP/USD	1.2929	-0.0001
EUR/GBP	0.8660	0.0078

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.34%
2 year swap	5.42%	4.35%
10 year Govt	4.59%	3.92%

Thank heavens for falling oil prices ...

... as it was a major input into the fall in headline CPI!

Yes, there was good news in that the annual NZ inflation rate fell from 6.7% to 6.0% and the core contracted from 6.5% to 6.1%, but and the fact that food prices were up 12.3%, building costs rose 7.8%, and rents rallied more than 4.0%, while domestic (non-tradeable) inflation rose 6.6%, highlights there are plenty of inflation challenges and we've still got a long way to go.

It was a similar story in the UK where inflation fell from 8.7% to 7.9%, which was ahead of forecasts at 8.2%, as falling fuel prices and decline service sector inflation contributed to the fall. The core

rate eased to 6.9% from May's 31-year high of 7.1%.

Euro-zone inflation accelerated more than initially reported in June even though it fell from 6.1% to 5.5% while the core rate increased from 5.4% to 5.5%, which essentially cements in a further ECB rate hike next week. The ECB also announced plans to tighten its processes for monitoring bank liquidity after the run on banks in March.

In the US, housing starts sank 8.0% in June to an annualized rate of 1.434m following a downwardly revised 15.7% surge in May, while, building permits also eased 3.7% to 1.44 million. Interestingly, US house prices have now risen for the past 4-months as the US mortgage rate fell by 20bp to 6.87%.

China's budget deficit shrank by almost a third in the H1 2023, while high-yielding USD corporate bonds suffered their sharpest three-day selloff this year after state-backed developer Greenland defaulted on bond payments.

Financial markets were a mixed bag last night as international equity markets continued their daily grind higher, despite the poor Goldmans result, while commodity prices were a real mixed bag after agri-commodity prices surged, with wheat futures surging over 8.0% after Russian missiles struck grain and vegetable oil terminals in Odesa, while oil prices reversed and copper declined for a fourth day. Bond yields were also mixed with the 2-years 1bp higher at

4.77% while the 10-years was 4bps lower at 3.75%, meanwhile, the NZD and AUD came under further selling pressure.

If you are in Britomart ... stay safe!

With no-one talking about quantitative tightening these days, the BoE Deputy Governor, Dave Ramsden, announced he sees potential for the BoE to step up the pace of shrinking the central bank's balance sheet.

Not again! Deutsche Bank has been fined USD 186 million by the Fed after an investigation found the bank hadn't sufficient money laundering safeguards.

The Park Avenue offices of 89-year-old famed wine vintner and retailer, Sherry-Lehmann, were raided by the FBI after alleged failing to deliver on USD 2.8 million of prepaid wine! I always knew keeping my 'spare' wine under the stairs was a much safer bet!



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	72.00					CAD	0.8235	0.8917
NZD/USD	0.6255	-0.0001	-0.0002	-0.0005	-0.0021	CHF	0.5372	0.5817
NZD/AUD	0.9312	-0.0010	-0.0031	-0.0062	-0.0114	CNY	4.5191	4.8911
NZD/JPY	87.40	-0.42	-1.31	-2.66	-5.21	DKK	4.1614	4.5053
NZD/EUR	0.5587	-0.0009	-0.0027	-0.0058	-0.0115	FJD	1.3687	1.4818
NZD/GBP	0.4838	-0.0002	-0.0003	-0.0005	-0.0006	HKD	4.8846	5.2883
						KRW	792.15	857.62
AU TWI	62.10					MYR	2.8398	3.0745
AUD/USD	0.6772	0.0007	0.0021	0.0039	0.0051	NOK	6.2781	6.7971
AUD/NZD	1.0823	0.0012	0.0035	0.0064	0.0107	SEK	6.4263	6.9575
AUD/JPY	94.62	-0.35	-1.10	-2.26	-4.54	SGD	0.8286	0.8971
AUD/EUR	0.6046	-0.0003	-0.0009	-0.0023	-0.0053	TWD	19.46	21.06
AUD/GBP	0.5237	0.0004	0.0014	0.0029	0.0058	ZAR	11.18	12.11
USD Index	100.29					EQUITIES		
EUR/USD	1.1197	0.0017	0.0051	0.0106	0.0180		Index	
USD/JPY	139.69	-0.66	-2.04	-4.11	-7.76	NZX50	11,945	
GBP/USD	1.2929	0.0002	0.0002	-0.0001	-0.0043	ASX200	7,324	
EUR/GBP	0.8660	0.0011	0.0036	0.0078	0.0170	Dow Jones	35,071	
						S&P 500	4,569	
INTEREST RATES			New Zealand		Australia	FTSE100	7,588	
			Mid		Mid	DAX 30	16,109	
30 day bank bills			5.64%		4.16%	Nikkei	32,896	
90 day bank bills			5.68%		4.34%	COMMODITIES		
1 year swap			5.82%		4.46%		USD	
2 year swap			5.42%		4.37%	Brent Crude	79.39	
3 year swap			5.03%		4.19%	Gold	1,977.79	
5 year swap			4.62%		4.24%	Silver	25.15	
10 year swap			4.44%		4.36%	Iron Ore	112.17	
3 year Govt bond			4.92%		3.84%	CRB Index	304.55	
5 year Govt bond			4.66%		3.79%		NZD	
10 year Govt bond			4.59%		3.92%	NZ Carbon	49.75	

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