

Market Alert

Tuesday 22 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5930	-0.0001
NZD/AUD	0.9237	-0.0062
NZD/JPY	86.27	-2.64
NZD/EUR	0.5432	-0.0053
NZD/GBP	0.4646	0.0001
NZD/CNH	4.3688	-0.0468
AUD/USD	0.6418	0.0041
AUD/EUR	0.5889	-0.0019
EUR/USD	1.0896	0.0102
USD/CNH	7.2853	-0.0780
GBP/USD	1.2761	-0.0006
EUR/GBP	0.8537	0.0083

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.19%
2 year swap	5.62%	4.23%
10 year Govt	5.15%	4.34%

Not coming to the party

China's PBoC cut rates yesterday, but not as much as the market was expecting. The central bank cut the 1-year loan prime rate from 3.55% to 3.45%, while the 5-year LPR, which serves as the basis for housing mortgage rates, remained unchanged at 4.20%. A Reuters poll of 35 economists (who inexplicably gave 36 opinions!) showed median expectations of 15bp cuts to both, so a 10bp cut to the 1-year rate and no change to the 5-year rate misses the mark.

In other Chinese news, the PBoC set the USD/CNY fixing a full 10 big figures away from median expectations. The PBoC has been shoring up the yuan's slide

over recent weeks, but this is the biggest deviation from the market we have seen so far. The fixing was 7.1987 for the USD/CNY, while the freely traded USD/CNH is currently at 7.3063.

On that same theme, CBA has sent a shot across the bow of AUD bulls, suggesting there is a "growing risk that the Aussie dips below \$0.60 before year-end" against the USD. CBA adds "it will likely take a big Chinese stimulus package focused on commodity-intensive infrastructure spending to turn around the downtrend", however, given the lacklustre action from the PBoC we have seen today, material support looks unlikely at this stage.

New Zealand's trade balance took a knock in July, registering a deficit of NZD1.1 billion as goods exports fell NZD890 million or 14%, to NZD5.5 billion while goods imports fell NZD1.2 billion or 16%, to NZD6.6 billion. According to stats NZ, the annual trade deficit was NZD15.8 billion which compares to the year ended July 2022 deficit of NZD12.0 billion.

Perhaps in a sign of the state of the Chinese economy and New Zealand's reliance on it, exports to China in July 2023 were down 24.0% when compared to July 2022, led by a fall in the value of dairy products.

US braced for Jackson Hole

US treasury yields have hit a 16-year high, with the 10-year and 2-year rates currently at 4.34% and 4.99%, respectively, as investors have begun preparing for Federal Reserve Chair, Jerome Powell's, speech at the Jackson Hole Symposium later this week. Markets expect Powell to give a modestly hawkish speech, allowing for the risk that the Fed is done hiking, but not shutting the possibility of further tightening.

Minutes from the Fed's July meeting last week showed that some members of the Fed's rate-setting committee saw "significant upside risks to inflation, which could require further tightening of monetary policy."



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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	69.60					CAD	0.8030	0.8670
NZD/USD	0.5930	0.0000	-0.0001	-0.0001	-0.0009	CHF	0.5207	0.5636
NZD/AUD	0.9237	-0.0011	-0.0031	-0.0062	-0.0117	CNY	4.3176	4.6737
NZD/JPY	86.27	-0.46	-1.29	-2.64	-5.09	DKK	4.0546	4.3883
NZD/EUR	0.5432	-0.0009	-0.0024	-0.0053	-0.0109	FJD	1.3234	1.4323
NZD/GBP	0.4646	-0.0001	-0.0001	0.0001	0.0006	HKD	4.6485	5.0310
						KRW	794.72	860.12
AU TWI	59.90					MYR	2.7557	2.9824
AUD/USD	0.6418	0.0007	0.0021	0.0041	0.0072	NOK	6.2887	6.8062
AUD/NZD	1.0822	0.0012	0.0034	0.0070	0.0137	SEK	6.4904	7.0256
AUD/JPY	93.41	-0.38	-1.08	-2.25	-4.40	SGD	0.8045	0.8707
AUD/EUR	0.5889	-0.0003	-0.0007	-0.0019	-0.0044	TWD	18.93	20.48
AUD/GBP	0.5029	0.0005	0.0016	0.0034	0.0070	ZAR	11.24	12.17
USD Index	103.31					EQUITIES		
EUR/USD	1.0896	0.0017	0.0047	0.0102	0.0201		Index	
USD/JPY	146.19	-0.76	-2.16	-4.43	-8.48	NZX50	11,459	
GBP/USD	1.2761	0.0002	0.0000	-0.0006	-0.0038	ASX200	7,116	
EUR/GBP	0.8537	0.0011	0.0035	0.0083	0.0175	Dow Jones	34,495	
						S&P 500	4,402	
INTEREST RATES			New Zealand		Australia	FTSE100	7,258	
			Mid		Mid	DAX 30	15,603	
30 day bank bills			5.65%		4.10%	Nikkei	31,566	
90 day bank bills			5.68%		4.19%	COMMODITIES		
1 year swap			5.81%		4.30%		USD	
2 year swap			5.62%		4.24%	Brent Crude	84.34	
3 year swap			5.33%		4.16%	Gold	1,893.60	
5 year swap			5.03%		4.35%	Silver	23.31	
10 year swap			4.92%		4.65%	Iron Ore	106.10	
3 year Govt bond			5.29%		3.95%	CRB Index	307.88	
5 year Govt bond			5.10%		4.02%		NZD	
10 year Govt bond			5.15%		4.34%	NZ Carbon	65.50	

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