

Market Alert

Tuesday 29 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5912	0.0001
NZD/AUD	0.9200	-0.0062
NZD/JPY	86.58	-2.56
NZD/EUR	0.5466	-0.0053
NZD/GBP	0.4691	-0.0001
NZD/CNH	4.3113	-0.0493
AUD/USD	0.6424	0.0044
AUD/EUR	0.5939	-0.0019
EUR/USD	1.0813	0.0105
USD/CNH	7.2928	-0.0855
GBP/USD	1.2600	-0.0001
EUR/GBP	0.8580	0.0079

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.19%
2 year swap	5.57%	4.21%
10 year Govt	5.11%	4.21%

Summer siesta

It was a bit of a snooze fest to start the week, with little in the way of meaningful data, and London closed for the imaginatively named 'Summer Bank Holiday'. You would think with all of their history, they could find something to celebrate! Markets responded in kind, with the NZD/USD and the AUD/USD bobbing around the 0.5900 and 0.6400 handles respectively. The benchmark US 10-year Treasury yield drifted back toward support at 4.20%, which saw the USD marginally weaker.

The International Monetary Fund, ("IMF") released their report on New Zealand, stating that the country's economy is expected to continue slow growth as monetary tightening takes hold, with

inflation only likely to decline to between 1.0%-3.0% in 2025.

Australian retail sales climbed 0.5% in July, up on the 0.3% expected and well ahead of June's -0.8%. For the year, retail sales were 2.1% higher. Ben Dorber, ABS Head of Retail Statistics, said the rebound was boosted by additional spending at catering and takeaway food outlets linked to the 2023 FIFA Women's World Cup and school holidays. "While there was a rise in July, underlying growth in retail turnover remained subdued" he said.

The Dallas Fed's measure of manufacturing rose in August but remains in the doldrums at -17.2 against July's -20.0 print. Output worsened, as did the outlook. According to the Fed, "for the first time in a long time, we are seeing customers reduce or cancel orders due to softening end-use demand. We expect this trend to continue over the next few months". However new orders improved slightly, and, worryingly for inflation the wages component surged higher.

Chinese auto exports were up a staggering, almost unbelievable, 75.7% in the first half of 2023, compared to H1 2022, with 2.14 million vehicles exported. Shipments of 'new energy vehicles' ("NEVs", consisting of hybrid and EVs etc) was up more than 100.0% to 534,000 units. Earlier this year, China overtook Japan as the world's largest car exporter, with Europe its largest market as the US imposed a 27.5% tariff on Chinese

auto exports. The rise in Chinese NEV exports is helped by Tesla's 'Gigafactory', which is currently capable of producing 1.25 million vehicles a year. China has also seen exports to Russia surge since the start of the Ukraine war, as Western countries imposed trade sanctions on Russia.

In other China related news, US Secretary of Commerce, Gina Raimondo, has said that it is "profoundly important that the US has stable economic relationship with China". She also said the US can make progress with China if both sides are "direct, open and practical". Will we see a winding back in the escalation of the 'chip' war?

Chinese stocks ride the wave

After China announced measures to support its equity market, including lowering the stamp duty on trades, the CSI 300 Index surged 5.5% at open, which put it in the green for the year, however it gave almost all of that up to close up just 1.2%. Hong Kong's Hang Seng index also leapt higher, by 3.4% at open, but moderated to close up 1.0%. US stocks drifted higher to be around 0.4% up for the day. The Europeans were a bit more enthusiastic after their afternoon naps, with main bourses there climbing 1.0-1.3% without any support from officials.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Tuesday 29 August 2023

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.60					CAD	0.8041 0.8738
NZD/USD	0.5912	0.0000	0.0001	0.0001	0.0000	CHF	0.5224 0.5678
NZD/AUD	0.9200	-0.0010	-0.0030	-0.0062	-0.0114	CNY	4.3083 4.6836
NZD/JPY	86.58	-0.41	-1.27	-2.56	-5.03	DKK	4.0739 4.4267
NZD/EUR	0.5466	-0.0008	-0.0024	-0.0053	-0.0108	FJD	1.3205 1.4349
NZD/GBP	0.4691	-0.0001	-0.0001	-0.0001	0.0001	HKD	4.6384 5.0401
						KRW	783.18 851.01
AU TWI	60.20					MYR	2.7503 2.9884
AUD/USD	0.6424	0.0007	0.0022	0.0044	0.0076	NOK	6.3371 6.8859
AUD/NZD	1.0864	0.0011	0.0034	0.0068	0.0132	SEK	6.4981 7.0609
AUD/JPY	94.09	-0.35	-1.08	-2.19	-4.38	SGD	0.8013 0.8706
AUD/EUR	0.5939	-0.0003	-0.0007	-0.0019	-0.0045	TWD	18.86 20.49
AUD/GBP	0.5097	0.0004	0.0016	0.0032	0.0064	ZAR	10.99 11.94
USD Index	104.06					EQUITIES	
EUR/USD	1.0813	0.0015	0.0048	0.0105	0.0211		Index
USD/JPY	146.49	-0.69	-2.15	-4.36	-8.58	NZX50	11,479
GBP/USD	1.2600	0.0001	0.0001	-0.0001	-0.0010	ASX200	7,160
EUR/GBP	0.8580	0.0010	0.0036	0.0079	0.0171	Dow Jones	34,512
						S&P 500	4,425
INTEREST RATES			New Zealand		Australia	FTSE100	7,339
			Mid		Mid	DAX 30	15,793
30 day bank bills			5.64%		4.11%	Nikkei	32,170
90 day bank bills			5.68%		4.19%	COMMODITIES	
1 year swap			5.77%		4.28%		USD
2 year swap			5.57%		4.22%	Brent Crude	84.51
3 year swap			5.29%		4.12%	Gold	1,920.06
5 year swap			4.97%		4.26%	Silver	24.24
10 year swap			4.83%		4.50%	Iron Ore	108.21
3 year Govt bond			5.30%		3.91%	CRB Index	312.57
5 year Govt bond			5.11%		3.95%		NZD
10 year Govt bond			5.11%		4.21%	NZ Carbon	67.00

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.

