

# Market Alert

Wednesday 30 August 2023

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.5976 | 0.0001  |
| NZD/AUD    | 0.9214 | -0.0060 |
| NZD/JPY    | 87.09  | -2.57   |
| NZD/EUR    | 0.5488 | -0.0053 |
| NZD/GBP    | 0.4722 | -0.0001 |
| NZD/CNH    | 4.3505 | -0.0523 |
| AUD/USD    | 0.6484 | 0.0043  |
| AUD/EUR    | 0.5954 | -0.0019 |
| EUR/USD    | 1.0886 | 0.0102  |
| USD/CNH    | 7.2805 | -0.0885 |
| GBP/USD    | 1.2653 | 0.0000  |
| EUR/GBP    | 0.8603 | 0.0078  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 5.50% | 4.10%     |
| 90 day bills | 5.68% | 4.19%     |
| 2 year swap  | 5.52% | 4.16%     |
| 10 year Govt | 5.09% | 4.17%     |

## Going against the trend

The one commodity that should be getting hurt by China's worsening property crisis is actually doing rather well. The price of iron ore futures climbed to USD114 per tonne last week, its highest in a month, after a rally that has defied the deepening gloom in China. Prices have largely kept above the key USD100 per tonne threshold this year, despite waves of worrying news from the real estate sector, which in more normal years makes up about 40.0% of total steel demand. There are still plenty of risks ahead for iron ore, not least, the prospect of a prolonged slump in the real estate sector. The last slump in 2015/16 saw prices sink below USD40 per tonne,

and China's surplus steel flood the global market. However, currently there are other sectors that are offsetting some of the slump in demand from the real estate sector, including central government spending on railways (up 25.0% yoy), as well as machinery manufacturing (up 15.0%) and auto output (up 12.0%).

Relatively robust iron ore prices currently offer a counterpoint to the prevailing bearish mood across Chinese markets. Australia, the biggest exporter of iron ore, will be hoping this continues. Another positive for Australian trade is the restart of barley shipments to China, after Beijing scrapped tariffs this month. The first shipment left Kwinana, an export terminal south of Perth this week. China was the biggest export destination for Australian barley, before tariffs of more than 80% were introduced in 2020. Diplomatic relations between Canberra and Beijing have improved since the election last year, but some tariffs still remain, including wine and lobster.

## US confidence declining

The US Job Openings and Labour Turnover Survey ("JOLTS") revealed that job openings fell by 338,000 to 8.8 million in July, as the labour market slowed, reinforcing expectations that the Fed will keep interest rates unchanged at their next meeting. This was the first time that job openings fell below 9.0

million since March 2021. The number of people quitting their jobs also decreased, down by 253,000 to 3.5 million in August, showing that US workers were becoming less confident in the labour market. Layoffs remain unchanged.

Affirming this was the Conference Board Consumer Confidence, which was released at 106.1 for August, down from last month's 114.0 and far from expectations of 116.0.

US housing prices have shown signs of stabilising in June, with the House Price Index up 0.3% in June, and up 3.1% for the June year. The average interest rate for a 30-year mortgage is currently 7.54%, one of the highest levels in the last twenty years.

Fitch has held New Zealand at its AA+ credit rating with a Stable Outlook. Risks include high household debt and a large current account deficit, with external debt forecast at 50.0% of GDP, however more than half of this is foreign direct investment. Fitch states that these risks are manageable given sound macro management.



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# Daily Rates

Wednesday 30 August 2023

| FX                    | Spot   | FECs (mid) |                    |         |                  | Spot Mid           |               |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|---------------|
|                       | Mid    | 1mth       | 3mths              | 6mths   | 12mths           | NZD/...            | AUD/...       |
| NZ TWI                | 69.50  |            |                    |         |                  | CAD                | 0.8102 0.8792 |
| NZD/USD               | 0.5976 | 0.0000     | 0.0001             | 0.0001  | -0.0004          | CHF                | 0.5243 0.5690 |
| NZD/AUD               | 0.9214 | -0.0010    | -0.0030            | -0.0060 | -0.0122          | CNY                | 4.3488 4.7201 |
| NZD/JPY               | 87.09  | -0.40      | -1.26              | -2.57   | -5.05            | DKK                | 4.0909 4.4386 |
| NZD/EUR               | 0.5488 | -0.0007    | -0.0024            | -0.0053 | -0.0108          | FJD                | 1.3277 1.4406 |
| NZD/GBP               | 0.4722 | -0.0001    | 0.0000             | -0.0001 | 0.0001           | HKD                | 4.6891 5.0877 |
|                       |        |            |                    |         |                  | KRW                | 787.61 854.56 |
| AU TWI                | 60.30  |            |                    |         |                  | MYR                | 2.7747 3.0105 |
| AUD/USD               | 0.6484 | 0.0007     | 0.0021             | 0.0043  | 0.0074           | NOK                | 6.3142 6.8509 |
| AUD/NZD               | 1.0848 | 0.0010     | 0.0034             | 0.0068  | 0.0133           | SEK                | 6.4837 7.0349 |
| AUD/JPY               | 94.50  | -0.33      | -1.07              | -2.20   | -4.50            | SGD                | 0.8064 0.8750 |
| AUD/EUR               | 0.5954 | -0.0002    | -0.0007            | -0.0019 | -0.0052          | TWD                | 19.01 20.63   |
| AUD/GBP               | 0.5124 | 0.0004     | 0.0016             | 0.0032  | 0.0058           | ZAR                | 11.03 11.97   |
| USD Index             | 103.40 |            |                    |         |                  | <b>EQUITIES</b>    |               |
| EUR/USD               | 1.0886 | 0.0014     | 0.0046             | 0.0102  | 0.0205           |                    | <b>Index</b>  |
| USD/JPY               | 145.73 | -0.67      | -2.13              | -4.33   | -8.38            | NZX50              | 11,528        |
| GBP/USD               | 1.2653 | 0.0001     | 0.0001             | 0.0000  | -0.0012          | ASX200             | 7,211         |
| EUR/GBP               | 0.8603 | 0.0010     | 0.0036             | 0.0078  | 0.0168           | Dow Jones          | 34,830        |
|                       |        |            |                    |         |                  | S&P 500            | 4,494         |
| <b>INTEREST RATES</b> |        |            | <b>New Zealand</b> |         | <b>Australia</b> | FTSE100            | 7,465         |
|                       |        |            | <b>Mid</b>         |         | <b>Mid</b>       | DAX 30             | 15,931        |
| 30 day bank bills     |        |            | 5.64%              |         | 4.10%            | Nikkei             | 32,227        |
| 90 day bank bills     |        |            | 5.68%              |         | 4.19%            | <b>COMMODITIES</b> |               |
| 1 year swap           |        |            | 5.76%              |         | 4.27%            |                    | <b>USD</b>    |
| 2 year swap           |        |            | 5.52%              |         | 4.17%            | Brent Crude        | 85.49         |
| 3 year swap           |        |            | 5.24%              |         | 4.06%            | Gold               | 1,937.49      |
| 5 year swap           |        |            | 4.93%              |         | 4.19%            | Silver             | 24.76         |
| 10 year swap          |        |            | 4.79%              |         | 4.44%            | Iron Ore           | 108.31        |
| 3 year Govt bond      |        |            | 5.27%              |         | 3.88%            | CRB Index          | 313.91        |
| 5 year Govt bond      |        |            | 5.09%              |         | 3.91%            |                    | <b>NZD</b>    |
| 10 year Govt bond     |        |            | 5.09%              |         | 4.17%            | NZ Carbon          | 67.50         |

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