

# Market Alert

Tuesday 8 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6104	-0.0001
NZD/AUD	0.9286	-0.0059
NZD/JPY	86.94	-2.60
NZD/EUR	0.5546	-0.0054
NZD/GBP	0.4775	-0.0003
NZD/CNH	4.3958	-0.0762
AUD/USD	0.6572	0.0040
AUD/EUR	0.5971	-0.0021
EUR/USD	1.1002	0.0102
USD/CNH	7.2022	-0.1236
GBP/USD	1.2783	0.0005
EUR/GBP	0.8606	0.0076

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.24%
2 year swap	5.46%	4.12%
10 year Govt	4.81%	4.14%

## The pause before the CPI storm!

Last night was pretty quiet with little data of note, so equity markets thought it would be a good time to re-establish their bullish trend after last weeks 'poor' performance in what was equities worst weekly performance since March. The standout performer's overnight were the US bourses with the Dow up 1.0% while the S&P and NASDAQ added 0.75%. It should also be noted that Berkshire Hathaway shares inched closer to an all-time high after operating profit rose to USD10bn in Q2! Meanwhile, European exchanges also closed in positive territory, although the German exchange, the Dax, closed lower after poor production numbers. Bond market yields continue to rise ahead of this week's issuance surge and the US CPI release while hedged

funds managed to ramp up record short positions in treasuries. This saw the 10-year treasury yield rally above the 4.10% level once again although it eventually eased back to be 3bp higher on the day at 4.09%. Commodities were broadly lower while the NZD and AUD posted modest gains.

The German industrial production fell 1.5% in June, and that was a lot worse than the 0.5% decline expected, highlighting the fragile state of manufacturing in Europe's powerhouse economy which continues to be hampered by rising energy costs. In fact, last week, German economy minister, Robert Habeck, suggested Germany faces five difficult years of deindustrialization from high energy prices. Meanwhile, following the announcement the Bundesbank would stop paying interest on short-term domestic government deposits, short-term German bonds rallied as investors chased higher-yielding securities.

## The commodity corner.

Saudi oil giant Aramco lifted prices of most oil grades from September to Europe and Asia as supply curbs amid tightening demand, although Russian oil refineries raised processing rates in early August ahead of Septembers cut in state subsidies.

Goldman's suggested Chinese copper inventories are nearing critical levels implying that supply constraints may replace slowing demand as a driver of

prices while they also warned the iron ore price could encounter a "bearish demand shock" should China cut steel output.

Heavy storms are impacting China's north-east, the region which produces almost 30% of the country's grains.

## All the 'chit-chat'.

Members of the Federal Reserve continue to highlight both extremities of the FOMC's outlook with NY Feb member, John Williams, announcing, "Rates may come down next year. Inflation is coming down as hoped, although I anticipate unemployment will increase slightly as the economy cools," while Fed colleague, Michelle Bowman, reiterated her view that further rates may be needed to restore price stability, stating, "I supported raising the Fed funds rate at our July meeting, and I expect that additional increases will likely be needed to lower inflation to the FOMC's goal," adding that further moves will be data dependant.

BoE chief economist, Huw Pill, announced, "There are risks on both sides of UK inflation. Risk inflation may fall below target in years. There are also risks the UK hasn't raised rates enough. Food inflation is longer-lasting than past spikes. Food price inflation will fall to 10% this year."

Finally, Moody's Chief Economist, Mark Zandi, predicts 'Bidenomics' and deficit spending could help the US avoid a recession.



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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	70.80					CAD	0.8160	0.8787
NZD/USD	0.6104	0.0000	0.0000	-0.0001	-0.0014	CHF	0.5328	0.5738
NZD/AUD	0.9286	-0.0011	-0.0030	-0.0059	-0.0115	CNY	4.3900	4.7266
NZD/JPY	86.94	-0.45	-1.26	-2.60	-5.10	DKK	4.1331	4.4500
NZD/EUR	0.5546	-0.0009	-0.0025	-0.0054	-0.0113	FJD	1.3357	1.4381
NZD/GBP	0.4775	-0.0001	-0.0002	-0.0003	-0.0003	HKD	4.7652	5.1306
						KRW	797.37	858.51
AU TWI	60.70					MYR	2.7816	2.9949
AUD/USD	0.6572	0.0008	0.0021	0.0040	0.0065	NOK	6.1941	6.6690
AUD/NZD	1.0766	0.0012	0.0033	0.0065	0.0130	SEK	6.4588	6.9540
AUD/JPY	93.63	-0.38	-1.07	-2.23	-4.41	SGD	0.8182	0.8810
AUD/EUR	0.5971	-0.0003	-0.0008	-0.0021	-0.0050	TWD	19.35	20.83
AUD/GBP	0.5141	0.0005	0.0014	0.0029	0.0060	ZAR	11.40	12.28
USD Index	102.04					<b>EQUITIES</b>		
EUR/USD	1.1002	0.0017	0.0049	0.0102	0.0196		<b>Index</b>	
USD/JPY	142.45	-0.74	-2.07	-4.22	-8.04	NZX50	11,934	
GBP/USD	1.2783	0.0003	0.0004	0.0005	-0.0023	ASX200	7,309	
EUR/GBP	0.8606	0.0011	0.0035	0.0076	0.0167	Dow Jones	35,427	
						S&P 500	4,510	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,554	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,951	
30 day bank bills			5.65%		4.11%	Nikkei	32,255	
90 day bank bills			5.68%		4.24%	<b>COMMODITIES</b>		
1 year swap			5.79%		4.30%		<b>USD</b>	
2 year swap			5.46%		4.14%	Brent Crude	85.60	
3 year swap			5.14%		4.03%	Gold	1,936.52	
5 year swap			4.80%		4.17%	Silver	23.11	
10 year swap			4.68%		4.45%	Iron Ore	105.18	
3 year Govt bond			5.04%		3.82%	CRB Index	312.21	
5 year Govt bond			4.82%		3.85%		<b>NZD</b>	
10 year Govt bond			4.81%		4.14%	NZ Carbon	59.90	

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