

# Market Alert

Wednesday 9 August 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6066	-0.0001
NZD/AUD	0.9272	-0.0061
NZD/JPY	87.01	-2.62
NZD/EUR	0.5535	-0.0055
NZD/GBP	0.4758	-0.0003
NZD/CNH	4.3884	-0.0739
AUD/USD	0.6540	0.0042
AUD/EUR	0.5967	-0.0021
EUR/USD	1.0957	0.0105
USD/CNH	7.2341	-0.1209
GBP/USD	1.2745	0.0002
EUR/GBP	0.8597	0.0077

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.23%
2 year swap	5.48%	4.15%
10 year Govt	4.88%	4.09%

## One sleep less until this week's US CPI print ...

... at least we've got the football to keep us occupied in the interim with some fantastic quarterfinals coming up!

And talking about fantastic matchups, the partnership between the NZ Government and BlackRock to ramp up investments in wind and solar generation sounds intriguing. The aim to have 100% renewable electricity is fantastic, although I do wonder what the pay-off will be, with very few financial and ROI details released.

Overnight financial markets undertook a 'risk-off' mantra after Moody's cut the credit ratings of 10 US regional banks ... not that I'd actually heard of any of them ... before they added they may also downgrade some of the larger US

banks, while poor Chinese trade data emphasised the slowing global growth story. International equity markets eased by -0.25% to -0.50% while, commodity markets were mixed with oil prices gaining 1.0%. Bond yields were also markedly lower, with the 10-year US yield 6bp lower at 4.01%, after Philadelphia Fed President, Patrick Harker, stated, "I believe we may be at the point where we can be patient and hold rates steady and let the monetary policy action's we have taken do their work. I think there is a path to an economic soft landing. We don't want to overdo it with Fed tightening. We'll probably start cutting rates sometime next year." Against this, the USD had another strong session, gaining 0.5%, which saw the NZD and AUD reach 2-month lows.

## For an economy that is struggling ...

... China's July trade surplus increased to USD80.6bn, against expectations at USD70.6bn, but the detail tells a depressingly similar story after exports fell more than imports amid persistently weak demand from both home and abroad. Exports fell for the 3rd straight month, plummeting -14.5% from 12-months ago against the -12.0% contraction expected, while imports fell -12.4% on the year against the -5.0% expected.

As a comparison, the US trade deficit narrowed to a 3-month low at USD65.5bn, which was better than May's USD68.3bn. Unfortunately, consumer debt rose by

0.1%, or USD16bn, in Q2 to a new record USD17.06trn as credit card balances increased by 4.6%, or USD45bn, to USD1.03tn. It's no wonder Americans are pessimistic, after the 'optimism index' unexpectedly fell to its lowest level in 12-months at 40.3, down from July's 41.3.

Australia consumer sentiment fell to -0.4% from July's 2.7% in what was the index's first decline since May, while July business confidence improved to 2 from -1, although conditions eased to 10 from June's 11.

UK retail sales grew 1.8% in the year to July, against expectations for a 3.0% jump, but don't worry Britain, my daughter arrives there this weekend, so expect a huge surge in the August numbers!

We also had a host of Japanese releases, with household spending contracting -4.2% in June, labour earnings increased 2.3% against May's 2.9% gain, and the current account surplus surged to JPY1.508tn as it exceeded expectations at JPY1.395tn, in what was Japan's 5th consecutive surplus.

The RBNZ's first stress test results for insurers highlighted there were no stresses, because they never ... feel free to insert your own pronouns and adjectives from this point onwards ... but watch out ... local bank workers from one of the big 4 are due to go on strike today in the 'City of Sails' which raises the big question of the day, who's going to get the coffees for all of those department heads this morning?



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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	70.70					CAD	0.8138	0.8775
NZD/USD	0.6066	0.0000	0.0000	-0.0001	-0.0012	CHF	0.5310	0.5726
NZD/AUD	0.9272	-0.0011	-0.0030	-0.0061	-0.0116	CNY	4.3783	4.7196
NZD/JPY	87.01	-0.43	-1.25	-2.62	-5.12	DKK	4.1240	4.4462
NZD/EUR	0.5535	-0.0009	-0.0025	-0.0055	-0.0112	FJD	1.3394	1.4440
NZD/GBP	0.4758	-0.0001	-0.0002	-0.0003	-0.0004	HKD	4.7398	5.1102
						KRW	798.01	860.37
AU TWI	60.50					MYR	2.7782	2.9953
AUD/USD	0.6540	0.0007	0.0021	0.0042	0.0065	NOK	6.2230	6.7093
AUD/NZD	1.0780	0.0012	0.0034	0.0067	0.0130	SEK	6.4898	6.9969
AUD/JPY	93.82	-0.36	-1.06	-2.24	-4.41	SGD	0.8170	0.8808
AUD/EUR	0.5967	-0.0003	-0.0008	-0.0021	-0.0049	TWD	19.31	20.82
AUD/GBP	0.5130	0.0005	0.0014	0.0029	0.0059	ZAR	11.46	12.36
USD Index	102.52					<b>EQUITIES</b>		
EUR/USD	1.0957	0.0016	0.0049	0.0105	0.0198		<b>Index</b>	
USD/JPY	143.42	-0.72	-2.07	-4.31	-8.13	NZX50	11,869	
GBP/USD	1.2745	0.0002	0.0003	0.0002	-0.0022	ASX200	7,311	
EUR/GBP	0.8597	0.0011	0.0034	0.0077	0.0170	Dow Jones	35,307	
						S&P 500	4,495	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,527	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,775	
30 day bank bills			5.65%		4.10%	Nikkei	32,377	
90 day bank bills			5.68%		4.23%	<b>COMMODITIES</b>		
1 year swap			5.79%		4.29%		<b>USD</b>	
2 year swap			5.48%		4.16%	Brent Crude	86.23	
3 year swap			5.16%		4.01%	Gold	1,925.40	
5 year swap			4.83%		4.14%	Silver	22.76	
10 year swap			4.69%		4.39%	Iron Ore	104.73	
3 year Govt bond			5.10%		3.78%	CRB Index	312.30	
5 year Govt bond			4.88%		3.80%		<b>NZD</b>	
10 year Govt bond			4.88%		4.09%	NZ Carbon	60.25	

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