

# Market Alert

Friday 1 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5960	0.0001
NZD/AUD	0.9199	-0.0059
NZD/JPY	86.66	-2.53
NZD/EUR	0.5495	-0.0052
NZD/GBP	0.4703	-0.0001
NZD/CNH	4.3382	-0.0541
AUD/USD	0.6481	0.0042
AUD/EUR	0.5973	-0.0019
EUR/USD	1.0848	0.0104
USD/CNH	7.2766	-0.0921
GBP/USD	1.2671	-0.0001
EUR/GBP	0.8560	0.0079

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.69%	4.18%
2 year swap	5.42%	4.10%
10 year Govt	4.96%	4.10%

## A pinch and a punch...

... for the first of the month. But seriously, it's the first day of spring already, where has this year gone?

New Zealand business confidence rose to its highest level in two years in August, to -3.7%, from -13.1%. The result was still negative, but shows businesses have a much more optimistic outlook for the economy over the next 12 months. Perhaps, the more business friendly political parties polling ahead of the government might have something to do with it! The own activity index, which measures firms' expectations of their own business performance, fared even better. A net 11.2% of firms expect their business to perform better over the next 12 months, up from 0.8% in July.

China's manufacturing PMI bounced slightly in July, however, remains

in contraction for the 5th straight month at 49.7, up from 49.3. The non-manufacturing PMI missed estimates of 51.2, falling from 51.5 to 51.0, but remains in expansionary territory. The survey noted improvements in manufacturing activity in August, with new orders improving and a strong outlook for the consumer goods industry.

BOJ Policy Board Member, Toyooki Nakamura, said *"Japan is no longer in deflation, but that mindset yet to be eradicated."* That may sound hawkish, however, he added that the central bank *"must patiently maintain easy policy for time being"* and needed more time to shift to tightening because inflation is not yet driven by wage gains. *"Tightening monetary policy before rise in sales prices lead to wage gains would curb demand, weigh on companies' ability to earn profits"* he said.

The Euro experienced a decline due to reduced expectations of an ECB rate hike. French inflation data surpassed expectations, but uncertainty from ECB executive board member Schnabel's remarks dampened trader confidence for September. Initially, the likelihood of a 25bp rate hike increased to around 60.0%, but then dropped to about 48.0%. Eurozone inflation data then revealed core inflation meeting estimates but decreasing from July, leading to a further decrease in the euro's value and rate hike bets, now at approximately 28.0%.

In China, the PBOC announced a plan to lower existing mortgage rates from September 25, aiming to stimulate consumption and investment.

The US PCE deflator came in up 0.2% on the month, and 3.3% on the year. Core was up 0.2% for the month, and 4.2% for year, all meeting expectation. US jobless claims came in better than expected at 228k, the lowest level in the last four weeks.

The NZD/USD ended at 0.5953 last night, dropping to a low of 0.5931 before rising to today's level of 0.5965. The AUD/USD followed a similar pattern, going from yesterday's 0.6475 to a low of 0.6461 before the current level of 0.6483. The USD index was at 103.51 last night, dropping to a low of 103.37, and is currently sitting at 103.59. US Treasury yields are down from recent highs, with the 2-year and 10-year currently at 4.8505 and 4.0945, respectively.

## Damn cartels

Saudi Arabia is expected to announce it will extend its current 1 million barrel per day output cut. Oil prices are up around 20-25% from their June lows, with little sign of abating, putting pressure back on global inflation rates.

However, Barclays has lowered its Brent oil price forecast for 2023 to USD 84 per barrel from USD 87 per barrel. However, it raised its 2024 forecast to USD 97 per barrel, citing *"slowing non-OPEC+ supply growth, driven primarily by the US, and persistent underproduction from several OPEC+ producers due to structural constraints"*. Brent currently trades at USD 86.86 per barrel.



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# Daily Rates

Friday 1 September 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.90					CAD	0.8053	0.8757
NZD/USD	0.5960	0.0000	0.0001	0.0001	-0.0009	CHF	0.5262	0.5722
NZD/AUD	0.9199	-0.0010	-0.0029	-0.0059	-0.0111	CNY	4.3259	4.7040
NZD/JPY	86.66	-0.41	-1.24	-2.53	-5.01	DKK	4.0942	4.4521
NZD/EUR	0.5495	-0.0008	-0.0024	-0.0052	-0.0106	FJD	1.3253	1.4412
NZD/GBP	0.4703	0.0000	-0.0001	-0.0001	0.0002	HKD	4.6740	5.0826
						KRW	789.59	858.61
AU TWI	60.60					MYR	2.7637	3.0052
AUD/USD	0.6481	0.0007	0.0021	0.0042	0.0070	NOK	6.3307	6.8841
AUD/NZD	1.0869	0.0011	0.0033	0.0066	0.0118	SEK	6.5186	7.0879
AUD/JPY	94.19	-0.35	-1.06	-2.18	-4.35	SGD	0.8056	0.8760
AUD/EUR	0.5973	-0.0002	-0.0007	-0.0019	-0.0045	TWD	18.99	20.65
AUD/GBP	0.5114	0.0005	0.0015	0.0031	0.0063	ZAR	11.24	12.22
USD Index	103.60					<b>EQUITIES</b>		
EUR/USD	1.0848	0.0016	0.0047	0.0104	0.0199		<b>Index</b>	
USD/JPY	145.39	-0.70	-2.10	-4.27	-8.33	NZX50	11,554	
GBP/USD	1.2671	0.0002	0.0000	-0.0001	-0.0025	ASX200	7,305	
EUR/GBP	0.8560	0.0011	0.0034	0.0079	0.0168	Dow Jones	34,776	
						S&P 500	4,517	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,439	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,947	
30 day bank bills			5.63%		4.11%	Nikkei	32,619	
90 day bank bills			5.69%		4.18%	<b>COMMODITIES</b>		
1 year swap			5.71%		4.23%		<b>USD</b>	
2 year swap			5.42%		4.11%	Brent Crude	86.83	
3 year swap			5.12%		3.97%	Gold	1,940.67	
5 year swap			4.81%		4.11%	Silver	24.45	
10 year swap			4.69%		4.36%	Iron Ore	108.99	
3 year Govt bond			5.17%		3.79%	CRB Index	316.38	
5 year Govt bond			4.98%		3.82%		<b>NZD</b>	
10 year Govt bond			4.96%		4.10%	NZ Carbon	70.50	

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