

Market Alert

Tuesday 12 September 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.5918 | 0.0001 |
| NZD/AUD | 0.9200 | -0.0058 |
| NZD/JPY | 86.72 | -2.52 |
| NZD/EUR | 0.5517 | -0.0051 |
| NZD/GBP | 0.4727 | -0.0001 |
| NZD/CNH | 4.3220 | -0.0456 |
| AUD/USD | 0.6431 | 0.0041 |
| AUD/EUR | 0.5983 | -0.0019 |
| EUR/USD | 1.0748 | 0.0099 |
| USD/CNH | 7.3037 | -0.0785 |
| GBP/USD | 1.2515 | 0.0003 |
| EUR/GBP | 0.8585 | 0.0075 |

| INTR RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 5.50% | 4.10% |
| 90 day bills | 5.69% | 4.18% |
| 2 year swap | 5.50% | 4.15% |
| 10 year Govt | 5.08% | 4.23% |

JPY volatility surges ... and then subsides!

Yesterday's local price action was derived by USD/JPY movements, after BoJ Governor, Kazuo Ueda, described the recent modification to Japanese monetary policy as, "a way to balance the effects and side effects of monetary easing measures," with the focus on, a gradual "quiet exit" to avoid a significant impact upon financial markets, adding, "If we judge that Japan can achieve its inflation target even after ending negative rates, we'll do so. Japan is showing budding positive signs, although the achievement of our target isn't in sight yet."

But while the USD/JPY moves added to volatility in the Asian time-zone, Europe and US price action was more subdued, as the focus for traders and speculators, was centred on this week's

US CPI release, and the ECB meeting. Interestingly, US consumer inflation expectations increased for the first time in 5-months, firming to 3.6% in August, from July's 3.5% predominately driven by higher rent expectations, which rose to their highest since July 2022 at 3.1%, while higher price pressures were seen for gas, food, medical care, and college education.

The European Commission's 'Summer 2023 Economic Forecast' suggests Euro-zone growth will likely slow to 0.8% in 2023, which is significantly lower than their prior 1.1% forecast, while their 2024 forecasts have reduced from 1.6% to 1.3%.

In China, the financial regulator announced it was reducing the risk weighting it attaches to insurance companies' holdings of blue-chip shares and tech stocks, encouraging them to invest more in the country's lagging stock market, while companies will now need approval from the PBoC for dollar purchases of USD50mn or more. Chinese banks are also doing their bit to boost economic growth, after they lent CNY1.36tn in new loans in August 2023, a sharp increase on July's CNY0.35tn. On the month, household loans increased from CNY200.7bn to CNY392.2bn, while corporate loans surged from CNY237.8bn to CNY948.8bn.

Markets though, were pretty quiet overnight, as equities and commodity markets posted modest gains ... in fact, the only markets to sell-off were oil markets! The NZD and AUD also posted

modest gains as the USD Index fell back below the 105.00 level to 104.50 while, longer-end bond yields continued their relentless grind higher as the 10-years firmed 2bp to 4.28% and the 3-year Treasury note auction drew its highest yield since 2007 at 4.66%.

The opinion corner ... because everyone's got one ...

There seems to be a divergence of views within the Federal Reserve regarding interest rates as, according to WSJ Journo and Fed 'insider', Nick Timiraos, "Some officials still prefer to err on the side of raising rates too much, reasoning that they can cut them later, although other officials see risks as more balanced."

US Treasury Secretary, Janet Yellen, is optimistic that the US can control inflation without causing significant damage to the job market, believing the economy is headed for a soft landing as, "Every measure of inflation is on the road down."

Although, former Goldman Sachs Chief Investment Strategist, Abby Joseph Cohen, acknowledged US economic conditions have become less favourable, "that doesn't mean that we're heading into a recession anytime soon, but I think we are in a situation where things are not quite as easy as they might have been 18 months ago." While she doesn't predict an imminent recession, she highlights the potential impact of political issues as a handbrake on growth, especially if a budget deal is not reached and the government shuts down.



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Daily Rates

Tuesday 12 September 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 69.80 | | | | | CAD | 0.8035 | 0.8738 |
| NZD/USD | 0.5918 | 0.0000 | 0.0001 | 0.0001 | -0.0016 | CHF | 0.5271 | 0.5729 |
| NZD/AUD | 0.9200 | -0.0010 | -0.0028 | -0.0058 | -0.0113 | CNY | 4.3140 | 4.6868 |
| NZD/JPY | 86.72 | -0.42 | -1.25 | -2.52 | -5.00 | DKK | 4.1064 | 4.4623 |
| NZD/EUR | 0.5517 | -0.0008 | -0.0023 | -0.0051 | -0.0105 | FJD | 1.3219 | 1.4365 |
| NZD/GBP | 0.4727 | 0.0000 | -0.0001 | -0.0001 | -0.0004 | HKD | 4.6352 | 5.0370 |
| | | | | | | KRW | 784.60 | 852.62 |
| AU TWI | 60.40 | | | | | MYR | 2.7655 | 3.0052 |
| AUD/USD | 0.6431 | 0.0007 | 0.0020 | 0.0041 | 0.0058 | NOK | 6.3001 | 6.8462 |
| AUD/NZD | 1.0865 | 0.0010 | 0.0032 | 0.0063 | 0.0096 | SEK | 6.5538 | 7.1219 |
| AUD/JPY | 94.22 | -0.36 | -1.07 | -2.18 | -4.35 | SGD | 0.8052 | 0.8750 |
| AUD/EUR | 0.5983 | -0.0002 | -0.0007 | -0.0019 | -0.0044 | TWD | 18.91 | 20.55 |
| AUD/GBP | 0.5137 | 0.0005 | 0.0015 | 0.0031 | 0.0058 | ZAR | 11.16 | 12.12 |
| USD Index | 104.57 | | | | | EQUITIES | | |
| EUR/USD | 1.0748 | 0.0015 | 0.0046 | 0.0099 | 0.0175 | | Index | |
| USD/JPY | 146.51 | -0.71 | -2.12 | -4.29 | -8.00 | NZX50 | 11,302 | |
| GBP/USD | 1.2515 | 0.0001 | 0.0000 | 0.0003 | -0.0030 | ASX200 | 7,192 | |
| EUR/GBP | 0.8585 | 0.0011 | 0.0035 | 0.0075 | 0.0158 | Dow Jones | 34,658 | |
| | | | | | | S&P 500 | 4,485 | |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,497 | |
| | | | Mid | | Mid | DAX 30 | 15,801 | |
| 30 day bank bills | | | 5.63% | | 4.11% | Nikkei | 32,468 | |
| 90 day bank bills | | | 5.69% | | 4.18% | COMMODITIES | | |
| 1 year swap | | | 5.73% | | 4.25% | | USD | |
| 2 year swap | | | 5.50% | | 4.16% | Brent Crude | 90.59 | |
| 3 year swap | | | 5.23% | | 4.08% | Gold | 1,921.20 | |
| 5 year swap | | | 4.93% | | 4.24% | Silver | 23.08 | |
| 10 year swap | | | 4.82% | | 4.51% | Iron Ore | 116.90 | |
| 3 year Govt bond | | | 5.28% | | 3.87% | CRB Index | 321.88 | |
| 5 year Govt bond | | | 5.10% | | 3.93% | | NZD | |
| 10 year Govt bond | | | 5.08% | | 4.23% | NZ Carbon | 73.00 | |

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