

Market Alert

Thursday 14 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5907	0.0001
NZD/AUD	0.9206	-0.0059
NZD/JPY	87.13	-2.54
NZD/EUR	0.5506	-0.0049
NZD/GBP	0.4731	-0.0002
NZD/CNH	4.2970	-0.0396
AUD/USD	0.6417	0.0041
AUD/EUR	0.5979	-0.0016
EUR/USD	1.0728	0.0095
USD/CNH	7.2727	-0.0680
GBP/USD	1.2484	0.0001
EUR/GBP	0.8592	0.0071

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.71%	4.17%
2 year swap	5.49%	4.14%
10 year Govt	5.07%	4.22%

The inflation snoozefest!

This morning's US CPI report highlighted the battle with inflation is far from over after headline inflation exceeded expectations to reach 3.7% on the year and 0.6% on the month. Core inflation, which had been 'sticky' decelerated to its lowest level since September 2021 at 4.3%, although the monthly core print was up by 0.3%, above 0.2% in the previous month and market forecasts. Against this, average wage inflation continues to ease back to more acceptable levels with hourly earning falling from 1.1% to 0.5%, although weekly earnings firmed from 0.2% to 0.3%.

For all the anticipation, the actual release had little impact on markets even though the underlying release supported calls for keeping another rate hike on the table. Equity markets, yields, and the US-dollar all made small moves,

with the US exchanges initially posting modest gains before easing back, while European bourses posted losses in the -0.25% to -0.75% range. Commodity prices were mixed, with oil prices losing -0.25%, while the USD-index gained 0.25%. Interestingly, despite the higher-than-expected release, treasury yields softened with 2 and 10-year yields 2bp lower at 4.98% and 4.25% respectively.

In other headlines, the UK economy shrunk at its fastest pace in 7-months in July contracting -0.5% in July to produce a 0.2% gain on the quarter, producer prices in Japan rose by 3.2% in the year to August 2023, and Euro-zone industrial production declined -1.1% in July to reverse 3-months of gains. Word on the street is that the poor production numbers will likely see Germany downgrade its 2023 'sluggish' growth projections to a contraction when it updates its outlook next month, with GDP likely to shrink this quarter and expand only slightly in Q4.

Finally, in NZ, food inflation posted a 0.5% gain in August, while the Real Estate Institute said the local housing market was showing some signs of life after the number of properties sold rose 9.2% while prices were down 4.7% from 12-months ago, but up 0.9% from July. Food inflation increased by 8.9% on the year.

"We're doomed Doomed!"

The world of geopolitics is alive and well after the EU announced it will investigate Chinese subsidies to electric vehicles, with the market

flooded with cheap Chinese cars whose prices are "kept artificially low by huge state subsidies," while Chinese media reported authorities are moving to restrict the use of Apple products in sensitive departments and state-owned companies due to security concerns.

JPMorgan warned of an overpriced S&P 500 that was "disconnected" from reality with the Fed willing to sacrifice the economy to kill inflation, "like the ECB," while Goldman strategists said they see lower stock and bond correlation ahead with their CEO adding, "The chance of a soft landing has increased 'meaningfully' (even though) the economic outlook is still uncertain. The Fed still has work to do on inflation with inflation likely to be 'stickier' versus optimistic views."

"A Fed rate cut in early 2024? I don't think that's going to happen" said famed economist Mohamed El-Erian. The assumption that the FOMC is going to be able to cut rates early next year is wrong!

Following on from yesterday's Kanga conference when we heard from the finance minister, opposition finance minister, and the leaders of ACT, the Greens, and NZ First, the only thing I can add is that "We're doomed ... doomed!"



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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	69.60					CAD	0.8009	0.8701
NZD/USD	0.5907	0.0000	0.0000	0.0001	-0.0013	CHF	0.5277	0.5733
NZD/AUD	0.9206	-0.0011	-0.0029	-0.0059	-0.0112	CNY	4.2993	4.6680
NZD/JPY	87.13	-0.44	-1.25	-2.54	-4.99	DKK	4.1068	4.4614
NZD/EUR	0.5506	-0.0008	-0.0022	-0.0049	-0.0101	FJD	1.3212	1.4352
NZD/GBP	0.4731	-0.0001	-0.0001	-0.0002	-0.0005	HKD	4.6225	5.0216
						KRW	784.50	852.24
AU TWI	60.20					MYR	2.7627	3.0012
AUD/USD	0.6417	0.0007	0.0020	0.0041	0.0060	NOK	6.3300	6.8765
AUD/NZD	1.0859	0.0012	0.0033	0.0066	0.0103	SEK	6.5765	7.1443
AUD/JPY	94.64	-0.37	-1.07	-2.18	-4.33	SGD	0.8039	0.8734
AUD/EUR	0.5979	-0.0002	-0.0006	-0.0016	-0.0038	TWD	18.86	20.49
AUD/GBP	0.5140	0.0005	0.0015	0.0030	0.0058	ZAR	11.10	12.06
USD Index	104.79					EQUITIES		
EUR/USD	1.0728	0.0015	0.0044	0.0095	0.0169		Index	
USD/JPY	147.50	-0.73	-2.13	-4.31	-8.19	NZX50	11,357	
GBP/USD	1.2484	0.0001	0.0001	0.0001	-0.0021	ASX200	7,154	
EUR/GBP	0.8592	0.0011	0.0033	0.0071	0.0147	Dow Jones	34,558	
						S&P 500	4,460	
INTEREST RATES			New Zealand		Australia	FTSE100	7,526	
			Mid		Mid	DAX 30	15,654	
30 day bank bills			5.64%		4.11%	Nikkei	32,707	
90 day bank bills			5.71%		4.17%	COMMODITIES		
1 year swap			5.73%		4.25%		USD	
2 year swap			5.49%		4.16%	Brent Crude	91.98	
3 year swap			5.23%		4.08%	Gold	1,908.63	
5 year swap			4.93%		4.23%	Silver	22.81	
10 year swap			4.81%		4.47%	Iron Ore	120.33	
3 year Govt bond			5.26%		3.89%	CRB Index	323.42	
5 year Govt bond			5.08%		3.93%		NZD	
10 year Govt bond			5.07%		4.22%	NZ Carbon	73.00	

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