

Market Alert

Friday 15 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5905	0.0001
NZD/AUD	0.9204	-0.0059
NZD/JPY	87.10	-2.55
NZD/EUR	0.5552	-0.0048
NZD/GBP	0.4759	-0.0001
NZD/CNH	4.3068	-0.0399
AUD/USD	0.6434	0.0041
AUD/EUR	0.6045	-0.0014
EUR/USD	1.0639	0.0090
USD/CNH	7.2909	-0.0665
GBP/USD	1.2406	0.0003
EUR/GBP	0.8574	0.0069

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.69%	4.17%
2 year swap	5.47%	4.15%
10 year Govt	5.03%	4.18%

I don't believe it!

The ECB stuck to its guns and raised their key interest rates for a 10th consecutive time, the 25bp hike lifting the deposit rate to a record 4.00%, the marginal lending rate to 4.75%, and the main refinancing rate to 4.50%, its highest level since 2001. With a 'dovish' tone, the central bank signalled that it is likely done with the current tightening cycle, as inflation has started to decline, although they also warned they see inflation remaining persistently high for too long, while ECB President Christine Lagarde acknowledged she "can't say" if European rates have peaked. Policymakers also cut their growth and core inflation forecasts for every year through to 2025.

In a surprise move, the PBoC announced a further 25bps reduction in the reserve requirement ratios for all banks with

immediate effect. It was the second RRR cut this year, lowering the rate for large banks to 10.50%. Moody's also slashed the Chinese property sector's outlook to negative from stable while Fitch announced global economic conditions are continuing to deteriorate as "the deepening slump in China's property market is casting a shadow over global growth prospects just as monetary tightening increasingly weighs on the demand outlook in the US and Europe. We now expect the US to fall into recession in the H1 24. The Fed is close to reaching a peak on rates and we expect just one more 25bps hike to 5.75%."

And speaking of the US, their economy is continuing to run hot after retail sales rose by a more-than-expected 0.6% in August, higher than July's revised 0.5% increase, while PPIs also exceeded expectations to reach their highest level since June 2022, at 0.7% in August. US employment also remains strong, with unemployment claims rising by just 3k to 220k, which was below forecasts at 225k and close to last week's 7-month low.

Following on from the overnight releases, it was no surprise to see the USD-index firm against its major trading partners, while EUR/USD fell below the 1.0650 level. The NZD/USD was flat while the AUD/USD made a modest gain on the PBoC announcement. US yields firmed on the stronger-than-expected releases, with the 2 and 10-year yields 3bps and 4bps higher at 5.01% and 4.29%, and we should expect this strength to filter through to the NZ and AU interest rate markets this morning.

Commodity markets also had another strong session, driven by oil prices - with WTI and Brent rallying 1.0%-2.0%.

The Australian job market is also remaining strong with a further 64.9k jobs added in August, although some of the shine was lost given the vast bulk of jobs added were part-time. The unemployment rate remained unchanged, at 3.7%, mainly due to the jump in participation to 67%, a record high. Australian consumer inflation expectations also eased back, from 4.9% to 4.6%.

I still don't believe it!

Fitch expects the first Bank of Canada rate cut in April 2024 while they also reduced their 2023 and 2024 Canadian GDP forecasts to 1.1% and 0.7% as, "Underlying growth momentum is weak as past tightening takes its toll on domestic demand."

Goldman Sachs has not recommended anything but cash right now, "While a US soft landing has become more likely, it might be less of a tailwind for risky assets from here if upward pressure on bond yields continues."



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 15 September 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.90					CAD	0.7982	0.8697
NZD/USD	0.5905	0.0000	0.0000	0.0001	-0.0010	CHF	0.5290	0.5766
NZD/AUD	0.9204	-0.0010	-0.0029	-0.0059	-0.0113	CNY	4.2959	4.6807
NZD/JPY	87.10	-0.43	-1.26	-2.55	-5.00	DKK	4.1382	4.5089
NZD/EUR	0.5552	-0.0007	-0.0023	-0.0048	-0.0100	FJD	1.3204	1.4387
NZD/GBP	0.4759	0.0000	0.0000	-0.0001	-0.0004	HKD	4.6224	5.0365
						KRW	785.08	855.41
AU TWI	60.40					MYR	2.7629	3.0105
AUD/USD	0.6434	0.0007	0.0020	0.0041	0.0065	NOK	6.3432	6.9115
AUD/NZD	1.0890	0.0011	0.0033	0.0066	0.0110	SEK	6.6068	7.1986
AUD/JPY	94.88	-0.36	-1.07	-2.19	-4.36	SGD	0.8049	0.8770
AUD/EUR	0.6045	-0.0001	-0.0005	-0.0014	-0.0038	TWD	18.84	20.53
AUD/GBP	0.5186	0.0005	0.0016	0.0031	0.0058	ZAR	11.23	12.24
USD Index	105.37					EQUITIES		
EUR/USD	1.0639	0.0013	0.0041	0.0090	0.0171		Index	
USD/JPY	147.45	-0.72	-2.13	-4.33	-8.23	NZX50	11,314	
GBP/USD	1.2406	0.0000	0.0001	0.0003	-0.0011	ASX200	7,187	
EUR/GBP	0.8574	0.0011	0.0033	0.0069	0.0142	Dow Jones	34,913	
						S&P 500	4,507	
INTEREST RATES			New Zealand		Australia	FTSE100	7,673	
			Mid		Mid	DAX 30	15,805	
30 day bank bills			5.63%		4.11%	Nikkei	33,168	
90 day bank bills			5.69%		4.17%	COMMODITIES		
1 year swap			5.73%		4.24%		USD	
2 year swap			5.47%		4.16%	Brent Crude	93.88	
3 year swap			5.20%		4.06%	Gold	1,908.93	
5 year swap			4.90%		4.22%	Silver	22.58	
10 year swap			4.76%		4.45%	Iron Ore	120.53	
3 year Govt bond			5.23%		3.86%	CRB Index	326.46	
5 year Govt bond			5.04%		3.91%		NZD	
10 year Govt bond			5.03%		4.18%	NZ Carbon	73.00	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.

