

Market Alert

Monday 18 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5896	0.0000
NZD/AUD	0.9164	-0.0059
NZD/JPY	87.19	-2.57
NZD/EUR	0.5530	-0.0047
NZD/GBP	0.4761	-0.0001
NZD/CNH	4.3078	0.0000
AUD/USD	0.6434	0.0041
AUD/EUR	0.6033	-0.0014
EUR/USD	1.0661	0.0090
USD/CNH	7.2784	0.0000
GBP/USD	1.2377	0.0000
EUR/GBP	0.8608	0.0069

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.68%	4.18%
2 year swap	5.48%	4.15%
10 year Govt	5.03%	4.17%

Bula - what happened to rugby in Australia?

Well, it's definitely not in a good position now despite the return of 'saviour' Eddie Jones ... perhaps they should have stuck with Dave Rennie! But what a great performance it was by Fiji, congratulations, and just what the tournament needed, but it wasn't the biggest upset this weekend after Max Verstappen and Red Bull proved they are human after all finishing 5th in this morning's Grand Prix!

And talking of disappointments Friday saw a weak close to the week as US stocks closed lower as the mega-cap shares came under selling pressure while the autoworker strikes added to the negative sentiment, but on a positive note, European shares closed in the green as investors reacted positively to

the possibility the ECB hiking cycle may be at an end. Commodity markets were broadly positive as oil prices continued their relentless grind higher, as did bond yields with US 2 and 10-year treasury's gaining 2bps and 4bps to yield 5.04% and 4.34% respectively. Currency markets were very quiet.

Friday night saw US consumer sentiment fall to a 3-month low after the University of Michigan index fell from 69.5 to 67.7 in September, below forecasts of 69.1, while industrial production rallied 0.4% on the month and import prices rose by 0.5%.

Is the Chinese economic situation about to change? Well, I don't know about that but Friday's releases outperformed expectations and there was another cut from the PBoC with the 14 day reverse repo dropping from 2.15% to 1.95%. Industrial production increased by 4.5% in the 12-months to August representing the country's strongest expansion since April, while retail sales surge 4.6% following on from July's impressive 2.5% gain. Finally, air passenger numbers experienced a significant jump, increasing by 98% on the year, as COVID-19 restrictions eased and confidence returned to travellers. Unfortunately, China's property sector remains in crisis after state-linked developer Sino-Ocean has suspended payment on all its offshore debts.

NZ August manufacturing PMIs dropped from 46.3 to 46.1 and are expected to remain entrenched in the coming months given that "while the key sub-

index components of New Orders (46.6) and Production (43.9) improved slightly from July, the trend since March has seen them all but entrenched in contraction."

ECB President Christine Lagarde confirmed, "We will set rates at restrictive level for as long as needed. We have not discussed rate cuts. What we do next on rates will be data-dependent." while colleague Martins Kazaks added, "The latest monetary policy move was not a dovish hike." Finally, ECB Governing Council member, Madis Muller, believes the central bank should consider speeding up the wind-down of its bond portfolio stating, "We should have a discussion soon about how to proceed with PEPP reinvestments and for how long. There's a strong argument in favour of stopping PEPP reinvestments sooner than the end of next year. That would be consistent with our interest-rate policy."

The week ahead.

This week, it's all about the central bankers with meetings from the Fed, BoE, BoJ, PBoC, and a whole host of second-tier countries. Additionally, investors will also closely monitor inflation rates in the UK, Canada, and Japan, along with service and manufacturing PMIs data from the US, France, Germany, the UK, the Euro Area, Japan, and Australia. We also have the latest RBA minutes which will give further insights into its third consecutive rate hold, while we also have NZ Q2 GDP, current account, and August's trade balance releases.



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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	69.90					CAD	0.7972	0.8697
NZD/USD	0.5896	0.0000	0.0000	0.0000	-0.0011	CHF	0.5291	0.5754
NZD/AUD	0.9164	-0.0010	-0.0029	-0.0059	-0.0113	CNY	4.2889	4.6773
NZD/JPY	87.19	-0.42	-1.26	-2.57	-5.01	DKK	4.1240	4.5003
NZD/EUR	0.5530	-0.0007	-0.0022	-0.0047	-0.0099	FJD	1.3178	1.4381
NZD/GBP	0.4761	0.0000	0.0000	-0.0001	-0.0003	HKD	4.6140	5.0351
						KRW	783.26	854.73
AU TWI	60.70					MYR	2.7605	3.0124
AUD/USD	0.6434	0.0007	0.0020	0.0041	0.0066	NOK	6.3401	6.9187
AUD/NZD	1.0899	0.0011	0.0033	0.0066	0.0112	SEK	6.5853	7.1862
AUD/JPY	95.01	-0.36	-1.08	-2.22	-4.39	SGD	0.8037	0.8771
AUD/EUR	0.6033	-0.0001	-0.0006	-0.0014	-0.0037	TWD	18.80	20.51
AUD/GBP	0.5195	0.0005	0.0016	0.0032	0.0059	ZAR	11.20	12.23
USD Index	105.33					EQUITIES		
EUR/USD	1.0661	0.0013	0.0040	0.0090	0.0179		Index	
USD/JPY	147.82	-0.72	-2.14	-4.38	-8.24	NZX50	11,348	
GBP/USD	1.2377	0.0000	0.0001	0.0000	-0.0012	ASX200	7,279	
EUR/GBP	0.8608	0.0010	0.0032	0.0069	0.0143	Dow Jones	34,618	
						S&P 500	4,450	
INTEREST RATES			New Zealand		Australia	FTSE100	7,711	
			Mid		Mid	DAX 30	15,894	
30 day bank bills			5.64%		4.11%	Nikkei	33,533	
90 day bank bills			5.68%		4.18%	COMMODITIES		
1 year swap			5.74%		4.26%		USD	
2 year swap			5.48%		4.16%	Brent Crude	93.93	
3 year swap			5.21%		4.06%	Gold	1,923.58	
5 year swap			4.90%		4.21%	Silver	23.01	
10 year swap			4.76%		4.48%	Iron Ore	121.29	
3 year Govt bond			5.24%		3.87%	CRB Index	325.75	
5 year Govt bond			5.04%		3.91%		NZD	
10 year Govt bond			5.03%		4.17%	NZ Carbon	69.75	

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