

Market Alert

Friday 22 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5928	-0.0001
NZD/AUD	0.9242	-0.0058
NZD/JPY	87.49	-2.58
NZD/EUR	0.5562	-0.0049
NZD/GBP	0.4821	-0.0007
NZD/CNH	4.3365	-0.0439
AUD/USD	0.6414	0.0039
AUD/EUR	0.6016	-0.0016
EUR/USD	1.0660	0.0090
USD/CNH	7.3135	-0.0723
GBP/USD	1.2291	0.0012
EUR/GBP	0.8671	0.0063

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.74%	4.19%
2 year swap	5.72%	4.35%
10 year Govt	5.25%	4.37%

What a night for central banks!

Following yesterday's strong CPI print, the BoE eased back on its aggressive hiking cycle for its first pause as fears of a UK recession start to build ... but it was a fine line with the MPC voting 5-4 to hold the cash rate at 5.25%. Interestingly, Governor Andrew Bailey had the casting vote and chose to leave rates unchanged, before adding at the post meeting press conference, "The good news is that inflation in the UK is coming down (although the) BoE has to stay the course on the inflation fight. Some on the MPC say more hikes are needed to curb prices and there are strong views on the inflation outlook. I expect the next noticeable drop in UK inflation will be in the October number released in November."

The Swiss National Bank, the SNB, also paused its tightening cycle, defying expectations of another hike to leave its

policy rate at 1.75% after it lowered its 2025 inflation forecasts. But against the Fed, BoE and SNB cautious pauses, the Scandinavian central banks went against the grain, with Sweden's Riksbank raising its key policy rate by 25bp to 4.00% while the Norwegian central bank, the Norges Bank, raised borrowing costs by 25bp to 4.25%. Finally, Turkey's central bank raised its key interest rate an incredible 500bp to 30.00%, although that was expected given the fact the Turkish lira is down 30% against the USD so far this year.

When is a recession not a recession?

When last quarter's GDP is revised up to flat, but the upcoming quarters are being rapidly downgraded! Yesterday, NZ Q2 GDP came in far higher than expectations, at 0.9% for the quarter against expectations of 0.4%. For the year to June, GDP was up 1.8% against expectations of 1.2%. The industries that saw the greatest gains were mining, utilities, public admin & safety, recreation and other.

Fonterra released its annual report yesterday with a final farmgate milk price for last season of NZD8.22 per kilogram. The forecast milk price for the current season remained unchanged at the NZD6.00-7.50 range.

The latest labour market data out of the US once again indicated a tightening labour market. US continuing jobless claims fell 21,000 to 1.66 million, while weekly jobless claims fell 20,000 to a

seasonally adjusted 201,000, its lowest level in 8-months and much lower than forecasts at 225,000. This data, along with yesterday's hawkish tone from the Fed, helped push US Treasury yields to unseen heights, with the 10-year yield hitting a 16-year high at 4.49%, while the 2-year reached a 17-year high at 5.20%. This 'higher for longer' rhetoric saw further equity related selling, with US indices between -1.0% and -1.75% lower.

WTI crude futures are currently at USD89.61 per barrel, with Brent at USD93.28. Goldman Sachs has raised its 12-month Brent forecast to USD100.00 per barrel, with an estimated deficit of 2m barrels per day in Q3 2023, and expectations of a deficit of 1.1m barrels per day in Q4, with global consumption at record levels.

From the rent-a-quote crowd, ex-US treasury secretary Larry Summers stated, "The Fed's projections are too optimistic, and inflation and growth may surprise to the downside," while ex-bond market guru Bill Gross warned bond markets are headed for an unprecedented third year of losses due to sticky inflation and widening deficits.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 22 September 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.00					CAD	0.7994	0.8649
NZD/USD	0.5928	0.0000	-0.0001	-0.0001	-0.0014	CHF	0.5360	0.5801
NZD/AUD	0.9242	-0.0010	-0.0030	-0.0058	-0.0111	CNY	4.3330	4.6906
NZD/JPY	87.49	-0.42	-1.30	-2.58	-5.12	DKK	4.1458	4.4857
NZD/EUR	0.5562	-0.0007	-0.0023	-0.0049	-0.0106	FJD	1.3256	1.4343
NZD/GBP	0.4821	-0.0001	-0.0003	-0.0007	-0.0018	HKD	4.6365	5.0166
						KRW	794.49	859.63
AU TWI	60.40					MYR	2.7796	3.0075
AUD/USD	0.6414	0.0006	0.0020	0.0039	0.0053	NOK	6.3893	6.9131
AUD/NZD	1.0813	0.0011	0.0033	0.0066	0.0093	SEK	6.6246	7.1677
AUD/JPY	94.65	-0.36	-1.11	-2.23	-4.45	SGD	0.8101	0.8765
AUD/EUR	0.6016	-0.0002	-0.0006	-0.0016	-0.0045	TWD	19.06	20.62
AUD/GBP	0.5217	0.0004	0.0014	0.0026	0.0044	ZAR	11.23	12.15
USD Index	105.37					EQUITIES		
EUR/USD	1.0660	0.0013	0.0042	0.0090	0.0184		Index	
USD/JPY	147.55	-0.71	-2.15	-4.35	-8.21	NZX50	11,319	
GBP/USD	1.2291	0.0001	0.0005	0.0012	0.0001	ASX200	7,065	
EUR/GBP	0.8671	0.0009	0.0030	0.0063	0.0145	Dow Jones	34,070	
						S&P 500	4,338	
INTEREST RATES			New Zealand		Australia	FTSE100	7,679	
			Mid		Mid	DAX 30	15,572	
30 day bank bills			5.64%		4.10%	Nikkei	32,571	
90 day bank bills			5.74%		4.19%	COMMODITIES		
1 year swap			5.89%		4.39%		USD	
2 year swap			5.72%		4.36%	Brent Crude	93.30	
3 year swap			5.45%		4.27%	Gold	1,919.50	
5 year swap			5.14%		4.43%	Silver	23.38	
10 year swap			5.00%		4.63%	Iron Ore	121.83	
3 year Govt bond			5.49%		4.08%	CRB Index	321.90	
5 year Govt bond			5.28%		4.12%		NZD	
10 year Govt bond			5.25%		4.37%	NZ Carbon	65.60	

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.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED