

# Market Alert

Thursday 28 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5916	0.0000
NZD/AUD	0.9317	-0.0058
NZD/JPY	88.55	-2.61
NZD/EUR	0.5637	-0.0049
NZD/GBP	0.4875	-0.0006
NZD/CNH	4.3345	-0.0434
AUD/USD	0.6350	0.0040
AUD/EUR	0.6046	-0.0016
EUR/USD	1.0499	0.0090
USD/CNH	7.3231	-0.0724
GBP/USD	1.2131	0.0014
EUR/GBP	0.8653	0.0064

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.75%	4.19%
2 year swap	5.64%	4.34%
10 year Govt	5.28%	4.45%

## The stock market is like a teenager ...

... it's moody, unpredictable, and always seems to be getting into trouble ... and September is just like a teenager that's just crashed your car (yes, I have been there) ... its painful and that feeling lasts for a month!

Equity and commodity markets continued their grind lower overnight, with equity losses in the -0.5% to -1.0% range, while the 10-year US treasury yield gained a further 7bp to yield 4.63%. Unsurprisingly, US mortgage rates are also starting to reflect those in other parts of the world, with the US average mortgage interest rate at a 23-year high after the 30-year yield surged to 4.73%. Just to compound the pain further, when it looked like oil prices might be starting to top out, Brent

surged 3.0% to USD96.70, while crude outperformed, gaining 3.75% to reach USD93.71. Unsurprisingly the USD-index also continued its recent trend as it looks to close out the session near the 106.50 level to cement in a 0.60% gain, which saw NZD/USD fall to the 0.5900 level while the AUD/USD fell below the 0.6400 level to be at 0.6345, EUR/USD fell below 1.0500, and USD/JPY is closing in on 150.00. Unsurprisingly, Japanese Finance Minister Suzuki says again he is watching FX markets "with a sense of urgency." Possibly what is more concerning is that we are nearing the end of the quarter, which should contribute to a further spike in volatility. Speaking of vols, the VIX index, as a broad measure of volatility, tracked the 'risk-off' theme rallying to a 4-month high at 19.50%.

Interestingly, the US data wasn't particularly 'bad' overnight, with new durable goods orders unexpectedly printing at 0.2% against forecasts of a -0.5% fall, although the Euro-zone data was weak with German GfK consumer confidence falling to -26.5, its lowest level since April with German companies' willingness to take on new staff falling to its lowest since February 2021, while bank lending to households in the zone increased by 1.0% in the year to August 2023 to record its lowest growth rate since August 2015.

Australian inflation came out in-line with expectations of 5.2% in the year to August, although it was higher than July's 4.9%. The trimmed mean measure also remains sticky, unchanged at 5.6%, but

on a positive note, core fell from 5.8% to 5.5%, which means, as one person put it, "while inflation is mostly down due to less helpful base effects, international energy prices and excise duty hikes, it is not safe to conclude that the RBA rate cycle has peaked!"

Finally, Chinese industrial profits have fallen -11.7% so far this year with private-sector companies falling -4.6% while state-owned enterprises earnings slumped -16.5%. This poor data comes alongside yet another PBoC announcement this time, emphasising their intention of accelerating their macro policy adjustments of rising rates and intervening to keep the Yuan exchange rate stable.

## There are so many things I could say to this ...

... but I'll show some maturity and refrain ... China has placed the Chairman of troubled property firm Evergrande 'under police control'.

Without naming names, one of the local banks is predicting next week's RBNZ meeting will see the central bank leave the OCR unchanged, but they will undertake a more hawkish tone.

Finally, The DOJ stepped up its probe into Credit Suisse and UBS over suspected compliance failures that allowed Russian clients to evade sanctions.



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# Daily Rates

Thursday 28 September 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.60					CAD	0.7988	0.8579
NZD/USD	0.5916	0.0000	0.0000	0.0000	-0.0008	CHF	0.5450	0.5851
NZD/AUD	0.9317	-0.0010	-0.0029	-0.0058	-0.0114	CNY	4.3243	4.6430
NZD/JPY	88.55	-0.46	-1.30	-2.61	-5.24	DKK	4.2002	4.5084
NZD/EUR	0.5637	-0.0008	-0.0022	-0.0049	-0.0108	FJD	1.3220	1.4190
NZD/GBP	0.4875	-0.0001	-0.0002	-0.0006	-0.0017	HKD	4.6271	4.9666
						KRW	803.14	862.06
AU TWI	60.40					MYR	2.7841	2.9883
AUD/USD	0.6350	0.0007	0.0020	0.0040	0.0068	NOK	6.3600	6.8266
AUD/NZD	1.0729	0.0011	0.0032	0.0064	0.0123	SEK	6.5353	7.0148
AUD/JPY	95.04	-0.39	-1.10	-2.23	-4.54	SGD	0.8120	0.8715
AUD/EUR	0.6046	-0.0002	-0.0006	-0.0016	-0.0043	TWD	19.08	20.48
AUD/GBP	0.5233	0.0005	0.0014	0.0026	0.0045	ZAR	11.35	12.19
USD Index	106.81					<b>EQUITIES</b>		
EUR/USD	1.0499	0.0014	0.0041	0.0090	0.0184		<b>Index</b>	
USD/JPY	149.59	-0.78	-2.19	-4.44	-8.67	NZX50	11,317	
GBP/USD	1.2131	0.0002	0.0005	0.0014	0.0019	ASX200	7,030	
EUR/GBP	0.8653	0.0010	0.0030	0.0064	0.0134	Dow Jones	33,541	
						S&P 500	4,249	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,593	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,217	
30 day bank bills			5.66%		4.11%	Nikkei	32,372	
90 day bank bills			5.75%		4.19%	<b>COMMODITIES</b>		
1 year swap			5.88%		4.35%		<b>USD</b>	
2 year swap			5.64%		4.36%	Brent Crude	96.55	
3 year swap			5.38%		4.28%	Gold	1,876.49	
5 year swap			5.11%		4.46%	Silver	22.57	
10 year swap			5.04%		4.76%	Iron Ore	120.93	
3 year Govt bond			5.46%		4.07%	CRB Index	320.78	
5 year Govt bond			5.28%		4.14%		<b>NZD</b>	
10 year Govt bond			5.28%		4.45%	NZ Carbon	64.25	

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