

Market Alert

Thursday 7 September 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5869	0.0001
NZD/AUD	0.9210	-0.0059
NZD/JPY	86.66	-2.55
NZD/EUR	0.5470	-0.0052
NZD/GBP	0.4692	-0.0002
NZD/CNH	4.2950	-0.0532
AUD/USD	0.6378	0.0041
AUD/EUR	0.5945	-0.0019
EUR/USD	1.0724	0.0102
USD/CNH	7.3209	-0.0920
GBP/USD	1.2505	0.0000
EUR/GBP	0.8574	0.0077

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.10%
90 day bills	5.69%	4.17%
2 year swap	5.46%	4.14%
10 year Govt	5.10%	4.21%

Following on from the RBA ...

... the Bank of Canada decided to sing from the same hymn book, leaving their overnight interest rate unchanged at 5.00%, as was expected. They also came out with the classic line that future decisions will be based on the 'latest economic data' ... and we should be prepared to hear this line repeated by every central bank governor in the coming months. The BoC based their pause on evidence of a marked slowdown in the Canadian economy, with output unexpectedly contracting by an annualized 0.2% in Q2 as credit growth slowed and aggregate demand subsided as the higher interest rate environment started to impact.

The news wasn't particularly positive out of Europe either after July Eurozone

retail sales fell -0.2%, although the financial markets are expecting a sharp rebound in August after my wife and daughter visited, but one country they didn't go to was Germany, where factory orders plummeted -11.7% in July, which was far worse than the -4.0% anticipated. But while the data releases highlighted the ECB's hiking cycle is starting to have the desired impact, ECB Governing member, Peter Kazimir, announced the central bank should lift rates at least one more time stating, "*Inflation is stubbornly high with price growth expectations above 2.00%. The August inflation release shows it's too early to declare victory (in the war against inflation.) It's necessary to take one more step on rates with a September hike preferable to a larger one later.*"

Against this, the US releases lined the strength of the US economy and highlighted the possibility that we may see a further US hike after ISM services PMIs surged to 54.5 in August from July's 52.7, surpassing forecasts at 52.5, in what was the index's fastest pace of expansion since February driven by increases in activity, new orders, and employment. This positivity was also highlighted by the IBD/TIPP optimism index which rose to a 5-month high of 43.2 which was up from August's 40.3, although we should acknowledge that it was the index's 25th consecutive month in negative territory. Finally, the US trade deficit widened less than expected to USD65bn in July 2023 from June's downwardly revised USD63.7bn while the Fed's Beige Book highlighted most districts indicated

modest economic growth during July and August.

Surging oil prices remain the main talking point!

In terms of last night's price action, oil remains the topic du jour after Brent crude futures settled up 56 cents to USD90.60 per barrel while WTI futures rallied 85 cents to USD87.54 following on from the announcement Saudi Arabia and Russia have both extended their voluntary oil supply cuts until the end of this year by 1m and 300k barrels per day fanning fears that the fall in inflation may be over.

The higher oil prices saw treasury yields firm, with the 10-years 3bp higher to 4.29%, while equity markets also eased. The outliers to the equity sell-off were the Nikkei, which rose 0.4%, while Hong Kong's Hang Seng index rose after shares of major Chinese developer Evergrande rocketed 70.0%. The Australian GDP jump of 0.4% had little effect on the AUD, which flatlined at the 0.6380 level, while the NZD remains under pressure at 0.5870.

But as we always saw, every cloud has a silver lining ... and this week's silver lining comes with a great selection of sporting events we can all pass judgement on from the safety of our sofas! Good performances for the A's and the Warriors should provide a spur of optimism to the country!



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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	69.40					CAD	0.8006 0.8704
NZD/USD	0.5869	0.0000	0.0000	0.0001	-0.0003	CHF	0.5230 0.5685
NZD/AUD	0.9210	-0.0011	-0.0030	-0.0059	-0.0123	CNY	4.2954 4.6672
NZD/JPY	86.66	-0.45	-1.25	-2.55	-5.03	DKK	4.0805 4.4344
NZD/EUR	0.5470	-0.0008	-0.0024	-0.0052	-0.0107	FJD	1.3165 1.4307
NZD/GBP	0.4692	-0.0001	0.0000	-0.0002	0.0001	HKD	4.6034 5.0026
						KRW	782.54 850.40
AU TWI	60.10					MYR	2.7420 2.9798
AUD/USD	0.6378	0.0007	0.0021	0.0041	0.0073	NOK	6.2913 6.8372
AUD/NZD	1.0869	0.0012	0.0034	0.0067	0.0124	SEK	6.5263 7.0923
AUD/JPY	94.22	-0.38	-1.07	-2.19	-4.46	SGD	0.8005 0.8700
AUD/EUR	0.5945	-0.0002	-0.0007	-0.0019	-0.0051	TWD	18.75 20.37
AUD/GBP	0.5099	0.0005	0.0016	0.0031	0.0058	ZAR	11.27 12.25
USD Index	104.85					EQUITIES	
EUR/USD	1.0724	0.0016	0.0047	0.0102	0.0201		Index
USD/JPY	147.72	-0.76	-2.14	-4.39	-8.53	NZX50	11,428
GBP/USD	1.2505	0.0001	0.0001	0.0000	-0.0013	ASX200	7,257
EUR/GBP	0.8574	0.0012	0.0035	0.0077	0.0166	Dow Jones	34,450
						S&P 500	4,463
INTEREST RATES			New Zealand		Australia	FTSE100	7,426
			Mid		Mid	DAX 30	15,741
30 day bank bills			5.63%		4.11%	Nikkei	33,241
90 day bank bills			5.69%		4.17%	COMMODITIES	
1 year swap			5.71%		4.23%		USD
2 year swap			5.46%		4.15%	Brent Crude	90.75
3 year swap			5.20%		4.03%	Gold	1,916.99
5 year swap			4.91%		4.20%	Silver	23.14
10 year swap			4.82%		4.48%	Iron Ore	117.13
3 year Govt bond			5.27%		3.84%	CRB Index	319.84
5 year Govt bond			5.10%		3.90%		NZD
10 year Govt bond			5.10%		4.21%	NZ Carbon	71.10

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