

Market Alert

Tuesday 03 October 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.5947 | -0.0001 |
| NZD/AUD | 0.9344 | -0.0060 |
| NZD/JPY | 89.08 | -2.67 |
| NZD/EUR | 0.5668 | -0.0051 |
| NZD/GBP | 0.4912 | -0.0007 |
| NZD/CNH | 4.3538 | -0.0464 |
| AUD/USD | 0.6366 | 0.0039 |
| AUD/EUR | 0.6066 | -0.0017 |
| EUR/USD | 1.0490 | 0.0090 |
| USD/CNH | 7.3200 | -0.0765 |
| GBP/USD | 1.2104 | 0.0014 |
| EUR/GBP | 0.8665 | 0.0063 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 5.50% | 4.10% |
| 90 day bills | 5.76% | 4.19% |
| 2 year swap | 5.75% | 4.36% |
| 10 year Govt | 5.47% | 4.57% |

Well, that didn't last long did it!

But I suppose a 45-day stay was always going to be 'sticking plaster' response when major surgery is required to balance the US governments books. Ultimately, the initial relief rally on open, spurred by US lawmakers averting a government shutdown, soon lost its legs, and led to another sell-off in equity and bond markets! Incredibly, with equity markets -0.75% to -1.50% lower, bond prices were crushed with the US 2 and 10-year yield surging an astonishing 6bps and 11bps to reach 5.10% and 4.68% respectively, and with markets about to enter the Q3 US corporate reporting season, I suspect we'll start to see the impact of the higher interest rate environment start to weigh on company performance. Needless to say, the USD-dollar index rallied further, which saw the NZD, AUD and EUR all

give up -0.75% to -1.00% against the USD, while the pessimism also weighed on oil markets, with prices -1.75% to -2.00% lower.

In terms of the overnight releases ...

... the US ISM manufacturing PMI report saw some positivity, improving from 47.6 to 49.0 in September to beat forecasts of 47.8. While it is important to remember, it remains in contractionary territory below 50, production and employment rebounded. The stronger than expected PMI report, combined with robust US consumption, saw the Atlanta Fed GDPNow 3Q growth forecast remain unchanged at 4.9%. In the Euro-zone the unemployment rate fell to its lowest level on record at 6.4% in August from July's upwardly revised 6.5%. The lowest rate was recorded in Germany at 3.0%, while the highest rate was observed in Spain at 11.5%. The BoJ's Tankan report highlighted manufacturers sentiment climbed to 9 in Q3 from 5 in Q2, and that Japanese corporates expect CPI to remain above the central banks 2.0% target for a further 5-years, but it wasn't enough to support the JPY. Finally, at the peripheral, UK house prices fell -5.3% in the year to September while Canadian manufacturing PMIs fell to 47.5 from August's 48.0, pointing to the 5th consecutive month of contraction.

To be classified under the heading, 'at least they know what they're supposed to be doing' Fed member Patrick Harker

stated, "The Fed is working on stable prices and maximum employment" while Chair Powell added, "The Fed's focus is on healthy economy." At least Fed Governor, Michelle Bowman, added some value emphasising, "multiple interest-rate hikes may be required to get inflation down."

I'm not sure whether this is actually good or not but 'rent-a-quote' JPMorgan CEO, Jamie Dimon, announced AI is critical for the bank's future success and is already being used at the bank. "Your children are going to live to 100 and not have cancer because of technology, and literally they'll probably be working three-and-a-half days a week."

That old romantic Rod Stewart said it best ...

... when he sung, "Tonight's the night. It's gonna be alright. Cause I love you girl, ain't nobody gonna stop us now" but, while it would be good to snuggle up in front of an open fire, the real fireworks will be at 4:30 this afternoon with the RBA. At this stage the market is pricing in a quiet welcome into the roll for new RBA governor Michele Bullock with the expectation being an 'unchanged' verdict, although the market is pricing in a further 25bps hike by next February.



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Daily Rates

Tuesday 03 October 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | |
|-----------------------|--------|------------|--------------------|---------|------------------|--------------------|---------------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... |
| NZ TWI | 71.10 | | | | | CAD | 0.8127 0.8700 |
| NZD/USD | 0.5947 | 0.0000 | 0.0000 | -0.0001 | -0.0013 | CHF | 0.5455 0.5839 |
| NZD/AUD | 0.9344 | -0.0011 | -0.0031 | -0.0060 | -0.0116 | CNY | 4.3504 4.6856 |
| NZD/JPY | 89.08 | -0.48 | -1.37 | -2.67 | -5.27 | DKK | 4.2271 4.5249 |
| NZD/EUR | 0.5668 | -0.0008 | -0.0026 | -0.0051 | -0.0110 | FJD | 1.3340 1.4280 |
| NZD/GBP | 0.4912 | -0.0001 | -0.0004 | -0.0007 | -0.0019 | HKD | 4.6579 4.9860 |
| | | | | | | KRW | 806.91 863.76 |
| AU TWI | 61.10 | | | | | MYR | 2.8040 3.0016 |
| AUD/USD | 0.6366 | 0.0007 | 0.0021 | 0.0039 | 0.0065 | NOK | 6.4528 6.9074 |
| AUD/NZD | 1.0700 | 0.0012 | 0.0034 | 0.0065 | 0.0122 | SEK | 6.5761 7.0394 |
| AUD/JPY | 95.34 | -0.39 | -1.16 | -2.27 | -4.55 | SGD | 0.8162 0.8737 |
| AUD/EUR | 0.6066 | -0.0002 | -0.0008 | -0.0017 | -0.0045 | TWD | 19.23 20.58 |
| AUD/GBP | 0.5258 | 0.0005 | 0.0013 | 0.0025 | 0.0043 | ZAR | 11.41 12.22 |
| USD Index | 106.86 | | | | | EQUITIES | |
| EUR/USD | 1.0490 | 0.0014 | 0.0047 | 0.0090 | 0.0181 | | Index |
| USD/JPY | 149.77 | -0.79 | -2.30 | -4.47 | -8.57 | NZX50 | 11,243 |
| GBP/USD | 1.2104 | 0.0002 | 0.0008 | 0.0014 | 0.0018 | ASX200 | 7,033 |
| EUR/GBP | 0.8665 | 0.0010 | 0.0031 | 0.0063 | 0.0133 | Dow Jones | 33,307 |
| | | | | | | S&P 500 | 4,280 |
| INTEREST RATES | | | New Zealand | | Australia | FTSE100 | 7,511 |
| | | | Mid | | Mid | DAX 30 | 15,247 |
| 30 day bank bills | | | 5.66% | | 4.10% | Nikkei | 31,760 |
| 90 day bank bills | | | 5.76% | | 4.19% | COMMODITIES | |
| 1 year swap | | | 5.94% | | 4.37% | | USD |
| 2 year swap | | | 5.75% | | 4.37% | Brent Crude | 90.73 |
| 3 year swap | | | 5.51% | | 4.33% | Gold | 1,831.06 |
| 5 year swap | | | 5.26% | | 4.56% | Silver | 21.17 |
| 10 year swap | | | 5.22% | | 4.86% | Iron Ore | 119.74 |
| 3 year Govt bond | | | 5.58% | | 4.12% | CRB Index | 320.71 |
| 5 year Govt bond | | | 5.43% | | 4.21% | | NZD |
| 10 year Govt bond | | | 5.47% | | 4.57% | NZ Carbon | 66.05 |

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