

# Market Alert

Wednesday 08 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5929	0.0002
NZD/AUD	0.9227	-0.0044
NZD/JPY	89.22	-2.56
NZD/EUR	0.5548	-0.0044
NZD/GBP	0.4827	-0.0005
NZD/CNH	4.3177	-0.0546
AUD/USD	0.6424	0.0033
AUD/EUR	0.6012	-0.0019
EUR/USD	1.0684	0.0087
USD/CNH	7.2824	-0.0947
GBP/USD	1.2280	0.0014
EUR/GBP	0.8699	0.0059

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.63%	4.42%
2 year swap	5.25%	4.42%
10 year Govt	5.21%	4.70%

## With the fizzing anticipation of a New Zealand firework...

... the actual bang of the RBA's decision to hike their cash rate by 25bp to 4.35% was somewhat of an anticlimax.

The statement confirmed, "Inflation in Australia has passed its peak but is still too high and is proving more persistent than expected a few months ago. The latest reading on CPI inflation indicates that while goods price inflation has eased further, the prices of many services are continuing to rise briskly". Interestingly, the RBA noted the impact of the recent rate rises still had to flow into the economy while, "Whether further tightening of monetary policy is required to ensure that inflation returns to target in a reasonable timeframe will depend upon the data and the evolving assessment of risks."

Ultimately the RBA sees CPI returning to around 3.5% by the end of 2024, although further tightening will depend on the data and how the risks evolve, while the progress on reducing the rate of inflation had been slower than expected. Markets took this as a dovish signal, sending the Aussie dollar down more than -1.0%, while bond yields fell, however, the RBA still sees inflation holding above its 2.0%-3.0% target into 2025, keeping open the door to further tightening.

With the Australian markets weakening after the RBA announcement, and a modest USD48bn 3-year treasury auction, bond market yields fell overnight with the US 2 and 10-year yields respectively falling 5bp and 11bp to reach 4.90% and 4.55%. Interestingly, the USD-index held up, which saw the AUD and NZD continue to weaken off their Monday highs while equity markets were flat. Interestingly, commodity markets were a sea of red as oil prices plummeted -3.75%.

## Overnight...

... the US trade deficit widened to USD61.5bn as imports increased 2.7% and exports rose at a slower 2.2%, the Chinese trade surplus in October narrowed sharply to USD56.53bn from USD82.35bn with imports unexpectedly increasing by 3.0% while exports dropped by -6.4%. Eurozone PPIs collapsed -12.4% to record their steepest decline on record as tumbling

energy (down -31.3%) and intermediate goods costs plummeted. In NZ, the GDT results saw the overall index post its first contraction in 5 auctions, falling -0.7% after WMP fell -2.7%, SMP firmed 2.3%, and butter eased back -1.6%.

We had a few Fed speakers out with Christopher Waller stating, "Labor market is cooling and getting close to its average. In central banking terms, the move up in 10-year yields was an 'earthquake'. Policymakers are mulling what drove long-term yields higher." Chicago President Austan Goolsbee then added, "If long rates are sustained at high levels, that is most likely a tightening. You cannot answer what number on long-term yields equals enough tightening," while Michelle Bowman stated, "I continue to expect we will need to raise Fed funds further" with Lorie Logan adding, "All of us have been surprised by resilience of US economy The core question is if financial conditions today are sufficiently restrictive. The labour market is still too tight."

The head of the BlackRock Investment Institute has warned, "The question we ask is ... has the surge in rates fed through to equities, and our answer is not yet! We think there's more downward adjustment to come, but we expect to see a better environment in 2024 once the adjustment is complete."

That didn't go so well ... after being worth USD47bn in 2019, WeWork filed for bankruptcy with USD19bn of debts.



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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	70.20					CAD	0.8163	0.8845
NZD/USD	0.5929	0.0000	0.0001	0.0002	-0.0002	CHF	0.5341	0.5788
NZD/AUD	0.9227	-0.0009	-0.0024	-0.0044	-0.0074	CNY	4.3157	4.6775
NZD/JPY	89.22	-0.45	-1.31	-2.56	-5.01	DKK	4.1388	4.4850
NZD/EUR	0.5548	-0.0007	-0.0022	-0.0044	-0.0099	FJD	1.3260	1.4369
NZD/GBP	0.4827	-0.0001	-0.0002	-0.0005	-0.0014	HKD	4.6372	5.0251
						KRW	774.84	839.65
AU TWI	60.60					MYR	2.7681	2.9997
AUD/USD	0.6424	0.0006	0.0018	0.0033	0.0049	NOK	6.6444	7.2002
AUD/NZD	1.0834	0.0009	0.0026	0.0049	0.0075	SEK	6.4852	7.0276
AUD/JPY	96.70	-0.39	-1.18	-2.32	-4.66	SGD	0.8032	0.8704
AUD/EUR	0.6012	-0.0002	-0.0009	-0.0019	-0.0060	TWD	19.10	20.69
AUD/GBP	0.5231	0.0004	0.0011	0.0019	0.0026	ZAR	10.87	11.78
USD Index	105.60					<b>EQUITIES</b>		
EUR/USD	1.0684	0.0013	0.0044	0.0087	0.0180		<b>Index</b>	
USD/JPY	150.47	-0.75	-2.25	-4.39	-8.34	NZX50	11,224	
GBP/USD	1.2280	0.0002	0.0008	0.0014	0.0025	ASX200	6,977	
EUR/GBP	0.8699	0.0009	0.0030	0.0059	0.0126	Dow Jones	34,159	
						S&P 500	4,381	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,410	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,153	
30 day bank bills			5.59%		4.25%	Nikkei	32,272	
90 day bank bills			5.63%		4.42%	<b>COMMODITIES</b>		
1 year swap			5.64%		4.51%		<b>USD</b>	
2 year swap			5.25%		4.42%	Brent Crude	82.26	
3 year swap			5.04%		4.37%	Gold	1,967.93	
5 year swap			4.89%		4.60%	Silver	22.53	
10 year swap			4.98%		4.90%	Iron Ore	126.63	
3 year Govt bond			5.15%		4.25%	CRB Index	319.53	
5 year Govt bond			5.04%		4.35%		<b>NZD</b>	
10 year Govt bond			5.21%		4.70%	NZ Carbon	70.70	

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