

Market Alert

Monday 13 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.5883	0.0003
NZD/AUD	0.9254	-0.0044
NZD/JPY	89.20	-2.56
NZD/EUR	0.5510	-0.0044
NZD/GBP	0.4812	-0.0005
NZD/CNH	4.2998	0.0000
AUD/USD	0.6356	0.0032
AUD/EUR	0.5948	-0.0020
EUR/USD	1.0682	0.0089
USD/CNH	7.3049	-0.0969
GBP/USD	1.2222	0.0016
EUR/GBP	0.8738	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.46%
2 year swap	5.30%	4.47%
10 year Govt	5.20%	4.71%

Friday sets the tone... and it's not good for bond markets!

Speculators buying into a recovery in bond markets received a rude awakening on Friday after US yields consolidated following Thursday's rally. This saw the 2-year yield close at 5.07% while the 10-years ended the week at 4.65%. The USD-index also held onto its gains, which saw the NZD/USD close at 0.5891, AUD/USD at 0.6358 and USD/JPY firm to an incredible 151.52! Interestingly, equity markets reversed Thursday's moves with European bourses off -1.0% while the US markets reclaimed some ground closing up 1.5%, as were oil prices.

Friday's catalyst was a speech by Fed Chair Jerome Powell which set the tone for the close. In the speech Powell explicitly stated that the battle with

inflation still has a long way to go stating, "We are not confident that we've achieved sufficiently restrictive policy. Inflation is well above its target, and it has a long way to go. If it becomes appropriate to tighten policy further, we will not hesitate. We will continue to move carefully, deciding meeting by meeting. The US economy may be structurally more resilient to higher rates, but I don't see any evidence of that yet."

To add to the negativity, while maintaining its country rating at Aaa, Moody's lowered its US outlook to "negative" from "stable" due to the countries "significant increase in debt servicing" costs and the presence of "entrenched political polarisation." The data didn't help either after the University of Michigan consumer sentiment survey fell to 60.4 in November, it's lowest level in 6-months, against October's 63.8 and forecasts at 63.7. Economic conditions fell to 65.7 from 70.6 while consumer expectations eased to 56.9 from 59.3. Incredibly, following Friday's acknowledgment of a ransomware hack, ICBC Bank had to send a USB stick around Manhattan to settle its Treasury trades!

The UK economy stalled in Q3 in its weakest performance in four quarters but beating forecasts of a -0.1% contraction.

On Friday the RBA released its *Statement on Monetary Policy*, which stated "the Board considered whether to pause in November, but decided a hike would provide more assurance on inflation. In hiking, the Board judged risk of inflation staying

higher for longer had increased. Whether further tightening needed will depend on upon the data. Inflation has been more persistent than expected, and the economy a bit stronger than expected." The RBA also raised its inflation and GDP forecasts, and trimmed unemployment and wage forecasts. Interestingly, the forecasts assume the cash rate will peak 'around' 4.50%. The RBA is now projecting year-end inflation at 4.5% in 2023, which will slowly fall to 3.0% at the end of 2025 while GDP growth will be at 1.5% in 2023, 2.0% in 2024, and 2.25% come the end of 2025.

New Zealand manufacturing PMIs plummeted from 45.3 to 42.5 in October, which was described by one economists as "not a good look for GDP and employment growth."

This week.

The focus will centre the US inflation update rate data, while we also have US updates for retail sales, PPIs, industrial production, trade, building permits and housing starts. China will provide updates on new yuan loans, industrial production, retail sales, and fixed asset investment, while Japan will unveil Q3 GDP, Germany will release their ZEW economic sentiment index, and Australia will provide consumer and business confidence updates. In New Zealand, its shaping up to be a busy week with updates on services, food inflation, REINZ, card spending, migration, and PPI's.



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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	69.90					CAD	0.8117	0.8773
NZD/USD	0.5883	0.0000	0.0002	0.0003	-0.0001	CHF	0.5302	0.5712
NZD/AUD	0.9254	-0.0008	-0.0024	-0.0044	-0.0073	CNY	4.2901	4.6333
NZD/JPY	89.20	-0.42	-1.31	-2.56	-4.99	DKK	4.1053	4.4353
NZD/EUR	0.5510	-0.0006	-0.0022	-0.0044	-0.0096	FJD	1.3214	1.4277
NZD/GBP	0.4812	-0.0001	-0.0002	-0.0005	-0.0014	HKD	4.5946	4.9640
						KRW	774.50	836.77
AU TWI	60.10					MYR	2.7685	2.9911
AUD/USD	0.6356	0.0005	0.0018	0.0032	0.0048	NOK	6.5191	7.0433
AUD/NZD	1.0771	0.0008	0.0026	0.0047	0.0076	SEK	6.4089	6.9242
AUD/JPY	96.33	-0.38	-1.18	-2.33	-4.69	SGD	0.8001	0.8645
AUD/EUR	0.5948	-0.0002	-0.0009	-0.0020	-0.0059	TWD	19.04	20.57
AUD/GBP	0.5199	0.0003	0.0011	0.0018	0.0025	ZAR	11.01	11.90
USD Index	105.80					EQUITIES		
EUR/USD	1.0682	0.0013	0.0044	0.0089	0.0183		Index	
USD/JPY	151.51	-0.72	-2.26	-4.40	-8.42	NZX50	11,140	
GBP/USD	1.2222	0.0002	0.0008	0.0016	0.0030	ASX200	6,977	
EUR/GBP	0.8738	0.0009	0.0029	0.0059	0.0128	Dow Jones	34,283	
						S&P 500	4,415	
INTEREST RATES			New Zealand		Australia	FTSE100	7,361	
			Mid		Mid	DAX 30	15,234	
30 day bank bills			5.63%		4.33%	Nikkei	32,568	
90 day bank bills			5.66%		4.46%	COMMODITIES		
1 year swap			5.63%		4.54%		USD	
2 year swap			5.30%		4.49%	Brent Crude	81.43	
3 year swap			5.07%		4.43%	Gold	1,936.79	
5 year swap			4.90%		4.65%	Silver	22.22	
10 year swap			4.98%		4.91%	Iron Ore	128.07	
3 year Govt bond			5.10%		4.29%	CRB Index	310.05	
5 year Govt bond			5.04%		4.37%		NZD	
10 year Govt bond			5.20%		4.71%	NZ Carbon	71.00	

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