

# Market Alert

Wednesday 22 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6044	0.0001
NZD/AUD	0.9225	-0.0044
NZD/JPY	89.62	-2.58
NZD/EUR	0.5540	-0.0045
NZD/GBP	0.4824	-0.0006
NZD/CNH	4.3193	-0.0608
AUD/USD	0.6551	0.0032
AUD/EUR	0.6005	-0.0020
EUR/USD	1.0906	0.0087
USD/CNH	7.1478	-0.1017
GBP/USD	1.2528	0.0013
EUR/GBP	0.8704	0.0057

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.43%
2 year swap	5.10%	4.34%
10 year Govt	4.98%	4.53%

## Is flat ever good?

Well it is when it's the GDT auction! Overall dairy prices were flat although, as always, there were some positives and some negatives ... the positive was WMP prices rose 1.9% to reach their second highest level since mid-July, although skim prices gave up some of their recent gains, falling -3.8% while butter eased -1.1%.

As is usually the case, the auction had absolutely no impact on the NZD, but then again, nothing else did either... last night's price action can best be summed up as a 'quiet session'! Equity, bond, currency, and commodity markets were flat across the board with little to report. The NZD and AUD are broadly unchanged from their Antipodean close, bond markets saw the US 2-year yield fall

1bp while the 10-years firmed a pip, while oil prices were flat!

The RBA minutes highlighted an 'ultra-intensive' focus on inflation warning, "The Board saw a 'credible case' that a rate rise was not needed at this meeting, but judged the case for a rate hike was stronger given that the inflation risks had increased. There was a risk that inflation expectations could increase if rates were not raised. RBA staff forecasts for inflation assumed one or two more rate rises, while the Board also noted the cash rate remained below that in many other countries."

Prior to the release, RBA Governor, Michelle Bullock, gave a speech announcing she was, "optimistic that the gains made in employment can be kept, although inflation will be a crucial challenge over the next 1 or 2-years. Inflation is not only about supply issues, gasoline, and rent... there is still an ongoing and underlying demand should inflation expectations adjust higher."

The New Zealand trade deficit shrank to NZD1.71bn in October from NZD2.31bn in the same month of the prior year. Exports dropped by 9.3% to NZD5.4bn while imports declined by 14% to NZD7.1bn.

In the international markets, most of last night's releases were 2nd tier. The highlight was an easing in Canadian inflation, which fell to 3.1% in October from September's 3.8%. In the US, existing home sales fell to their lowest level since August 2010 shrinking -4.1% to 3.79 million units, while the Chicago

Fed activity index fell -0.49 to reach its lowest in 7-months. Finally, there was a small positive for all those youngsters about to do their OE to Blighty and get pub jobs ... the UK raised the minimum wage from GBP10.42 to GBP11.44 per hour!

## Someone woke up the ECB overnight..

... with multiple speakers. First up was a man with a very cool name, and an ECB and BoF Governor to boot, Francois Villeroy de Galhau, who suggested we shouldn't get too excited about possible rate cuts stating, "There aren't just peaks and descents: there are also plateaus, where you can experience the effects of altitude and appreciate the view. That's what we'll probably be doing for at least the next several meetings and the next few quarters," while ECB President, Christine Lagarde, added, "It not the time to start declaring a victory on inflation. We can allow sometime for ECB policy to unfold. It's not something that in the next couple of quarters means we will be seeing a change. 'Long enough' has to be long enough." Finally, ECB colleague, Isabel Schnabel, chimed in with, "The economy could be hit by new supply-side shocks again. The longer term inflation expectations still signal risks."



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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	70.40					CAD	0.8275	0.8971
NZD/USD	0.6044	0.0000	0.0001	0.0001	-0.0001	CHF	0.5342	0.5791
NZD/AUD	0.9225	-0.0009	-0.0024	-0.0044	-0.0071	CNY	4.3286	4.6856
NZD/JPY	89.62	-0.46	-1.34	-2.58	-4.94	DKK	4.1300	4.4766
NZD/EUR	0.5540	-0.0007	-0.0022	-0.0045	-0.0094	FJD	1.3366	1.4487
NZD/GBP	0.4824	-0.0001	-0.0003	-0.0006	-0.0012	HKD	4.7115	5.1067
						KRW	782.58	848.23
AU TWI	60.90					MYR	2.8105	3.0462
AUD/USD	0.6551	0.0006	0.0018	0.0032	0.0049	NOK	6.4515	6.9927
AUD/NZD	1.0838	0.0009	0.0027	0.0050	0.0076	SEK	6.3305	6.8616
AUD/JPY	97.14	-0.41	-1.20	-2.33	-4.67	SGD	0.8089	0.8767
AUD/EUR	0.6005	-0.0007	-0.0009	-0.0020	-0.0056	TWD	18.97	20.56
AUD/GBP	0.5229	0.0004	0.0010	0.0018	0.0025	ZAR	11.26	12.20
USD Index	103.65					<b>EQUITIES</b>		
EUR/USD	1.0906	0.0014	0.0045	0.0087	0.0180		<b>Index</b>	
USD/JPY	148.31	-0.75	-2.24	-4.29	-8.15	NZX50	11,164	
GBP/USD	1.2528	0.0002	0.0008	0.0013	0.0024	ASX200	7,078	
EUR/GBP	0.8704	0.0009	0.0029	0.0057	0.0122	Dow Jones	35,092	
						S&P 500	4,534	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,482	
			<b>Mid</b>		<b>Mid</b>	DAX 30	15,901	
30 day bank bills			5.62%		4.34%	Nikkei	33,354	
90 day bank bills			5.67%		4.43%	<b>COMMODITIES</b>		
1 year swap			5.53%		4.47%		<b>USD</b>	
2 year swap			5.10%		4.36%	Brent Crude	82.19	
3 year swap			4.85%		4.30%	Gold	1,998.24	
5 year swap			4.65%		4.49%	Silver	23.80	
10 year swap			4.73%		4.78%	Iron Ore	129.31	
3 year Govt bond			4.87%		4.15%	CRB Index	314.21	
5 year Govt bond			4.81%		4.21%		<b>NZD</b>	
10 year Govt bond			4.98%		4.53%	NZ Carbon	70.85	

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