

Market Alert

Friday 24 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6042	0.0001
NZD/AUD	0.9212	-0.0043
NZD/JPY	90.41	-2.60
NZD/EUR	0.5542	-0.0044
NZD/GBP	0.4819	-0.0005
NZD/CNH	4.3223	-0.0619
AUD/USD	0.6558	0.0031
AUD/EUR	0.6013	-0.0021
EUR/USD	1.0903	0.0088
USD/CNH	7.1526	-0.1036
GBP/USD	1.2533	0.0013
EUR/GBP	0.8697	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.66%	4.45%
2 year swap	5.20%	4.45%
10 year Govt	5.02%	4.57%

Thank heavens its Friday!

Because financial markets are catatonic with the Thanksgiving holiday!

The overnight highlight was the release of the minutes from the ECB's October meeting, and the minutes didn't disappoint after they signalled a significant shift away from their bullish rhetoric amid to reflect a more cautious 'wait-and-see' approach. Risks to the growth outlook are clearly to the downside as the disinflationary process appears to have set in, and just to emphasise this point, Eurozone composite PMIs remained in deeply contractionary territory for a 6th consecutive month at 47.1. We also had ECB policymaker, Joachim Nagel, announce, "Interest rates must stay high to bring inflation back to target. We cannot be sure if we have reached a peak in rates" although Francois Villeroy de Galhau

added later, "The ECB won't raise rates again, excluding any surprise."

The Swedish central bank, the Riksbank, paused their hiking cycle for the first time in over a year leaving the cash rate at 4.0% although inflation and currency-related concerns prompted policymakers to threaten another hike while the option of faster bond sales was also discussed.

RBA Governor, Michelle Bullock, give a speech yesterday stating, "The remaining inflation challenge we are dealing with is becoming increasingly homegrown and demand driven. A more substantial monetary policy tightening is the right response to inflation that results from aggregate demand exceeding the economy's potential to meet that demand". Australian preliminary manufacturing PMIs for November eased to 47.7 from 48.2.

In New Zealand, the Institute of Directors' annual sentiment survey reported the cost of living and inflation had replaced worries about finding staff as the top issue for members. Directors also remain deeply pessimistic on the outlook for the broader economy, with almost 56% expecting conditions to worsen in the coming year. With iron more prices at a 12-month high, China's state planner announced it will step up its regulation of spot and futures markets urging iron ore firms not to hoard, hype up prices, or to manipulate futures market.

There were also a few announcements in relation to bond issuance with the CEO of the UK DMO - the issuer of UK government bonds, announcing, "The BoE's quantitative tightening programme

has not affected our gilt (UK Govt bonds) issuance strategy (although) the slow decline in demand for long-term gilts is likely to continue." Germany also announced it will halt further issuance of its inflation-linked bonds from 2024, and it won't tap any existing issues... does this mean German inflation is now under control?

UBS is forecasting an earlier, faster rate cutting cycle, even though "Central bankers will keep stressing interest rates will remain high. There is a sense that central bankers are trying to manipulate the bond market, but bond traders are like 3-year olds who are high on sugar and will not be controlled. Investors are increasingly looking at the disinflationary consumer prices and speculating on rate cuts having to come sooner." Couldn't have put it better myself!

So, to sum it all up...

... it was a quiet session. Equity markets posted modest gains, as did commodity markets although oil prices fell -1.0%. Bond yields also posted incremental increases while currency markets flatlined after yesterday's bout of USD-selling.

After scrapping AUD11.6bn of infrastructure projects amid worker shortages and inflation, the Australian Government has announced it will step up spending to underwrite new wind, solar and battery projects ... but what about the worker shortage and inflation?

SpaceX, Elon Musk's company, is reportedly planning a December IPO valuing the company at USD150bn.



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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	0.8277 0.8985
NZD/USD	0.6042	0.0000	-0.0004	0.0001	-0.0002	CHF	0.5339 0.5795
NZD/AUD	0.9212	-0.0008	-0.0030	-0.0043	-0.0066	CNY	4.3173 4.6860
NZD/JPY	90.41	-0.42	-1.40	-2.60	-4.99	DKK	4.1310 4.4838
NZD/EUR	0.5542	-0.0007	-0.0026	-0.0044	-0.0093	FJD	1.3361 1.4502
NZD/GBP	0.4819	-0.0001	-0.0006	-0.0005	-0.0010	HKD	4.7114 5.1137
						KRW	785.68 852.78
AU TWI	61.00					MYR	2.8246 3.0659
AUD/USD	0.6558	0.0006	0.0018	0.0031	0.0044	NOK	6.5091 7.0650
AUD/NZD	1.0849	0.0008	0.0017	0.0048	0.0071	SEK	6.3394 6.8809
AUD/JPY	98.11	-0.38	-1.20	-2.38	-4.76	SGD	0.8101 0.8793
AUD/EUR	0.6013	-0.0002	-0.0009	-0.0021	-0.0060	TWD	19.09 20.72
AUD/GBP	0.5230	0.0003	0.0010	0.0019	0.0026	ZAR	11.36 12.33
USD Index	103.77					EQUITIES	
EUR/USD	1.0903	0.0013	0.0044	0.0088	0.0179		Index
USD/JPY	149.59	-0.70	-2.23	-4.35	-8.21	NZX50	11,188
GBP/USD	1.2533	0.0002	0.0008	0.0013	0.0018	ASX200	7,029
EUR/GBP	0.8697	0.0008	0.0029	0.0058	0.0126	Dow Jones	35,273
						S&P 500	4,457
INTEREST RATES			New Zealand		Australia	FTSE100	7,484
			Mid		Mid	DAX 30	15,995
30 day bank bills			5.58%		4.36%	Nikkei	33,452
90 day bank bills			5.63%		4.45%	COMMODITIES	
1 year swap			5.57%		4.52%		USD
2 year swap			5.21%		4.46%	Brent Crude	81.28
3 year swap			4.96%		4.41%	Gold	1,992.31
5 year swap			4.73%		4.59%	Silver	23.65
10 year swap			4.76%		4.84%	Iron Ore	129.84
3 year Govt bond			4.98%		4.20%	CRB Index	312.58
5 year Govt bond			4.82%		4.26%		NZD
10 year Govt bond			4.93%		4.57%	NZ Carbon	70.80

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