

# Market Alert

Friday 01 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6148	-0.0001
NZD/AUD	0.9311	-0.0046
NZD/JPY	91.16	-2.62
NZD/EUR	0.5650	-0.0047
NZD/GBP	0.4873	-0.0006
NZD/CNH	4.3954	-0.0622
AUD/USD	0.6600	0.0031
AUD/EUR	0.6063	-0.0021
EUR/USD	1.0882	0.0086
USD/CNH	7.1475	-0.0995
GBP/USD	1.2611	0.0011
EUR/GBP	0.8627	0.0059

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.62%	4.37%
2 year swap	5.14%	4.36%
10 year Govt	4.90%	4.41%

## Is inflation dead in the US?

Well it certainly appears so after the US PCE deflator came in flat on the month at 0.0%, to be up 3.0% on the year. Core CPI was up by 0.2% on the month and 3.5% on the year. The initial reaction to this was a drop in the USD index, but it quickly recovered to reach a daily high of 103.35. Initial jobless claims rose by 7k to 218k, while continuing claims were up by 86k to 1.9m. Personal income, personal spending, and real personal spending were all up by 0.2%

It was a similar inflation story in the Eurozone with the headline rate falling faster than expected declining to its lowest level since July 2021 at 2.4% for the year to November, which was below expectations at 2.7%. This saw renewed EUR selling pressure as it depreciated

below the 1.0900 level against the USD.

China November Manufacturing PMIs came in at 49.4 against expectations of 49.7, while services came in at 50.2 against expectations of 51.1.

This could be good, but it might also be bad ... NZ consumer credit rose 8.0% in the year to November, driven by credit card borrowings which were up 11.8%, and buy-now-pay-later products which rose 7.1%. But that didn't stop RBNZ Governor Adrian Orr doubling down on his rhetoric confirming, "core inflation is still too high. Our concern is that inflation will not slow fast enough. We are in no mind to cut rates any time soon."

We also had Fed member and megahawk Mary Daly confirm, "I'm not thinking about rate cuts at all right now, but we need to be prepared to either raise rates again if necessary, or say the tightening cycle is complete if that is appropriate," while BoE Governor, Andrew Bailey, set about setting the record straight stating that, "I'm no pessimist, but the UK outlook is the worst I've seen. I've been written up as being ultra-pessimist, but I don't see it that way. I see it as a realist view."

BoJ board member, Toyooki Nakamura, announced, "We will need some more time before we can modify our easy monetary policy. We haven't reached a stage where we can say with conviction that we have sustainable, stable 2.0% inflation. We are seeing signs Japan will see wage growth exceeding that rate of inflation. We must patiently maintain our current easy monetary policies for the time being."

According to Goldmans, 2024 is going to be 'The Year of Bonds' announcing, "We don't think the Fed is going to be fast to pivot, but that's going to be in 'the direction of travel'. We are seeing inflation falling and a slowing of growth. Bonds will perform well with a steepening of the yield curve as there's a lot of borrowing that is going to take place."

OPEC+ met overnight collectively agreeing to additional cuts of 1 million barrel a day, and while cuts were expected, this number was at the lower end of the scale which saw futures prices fall -3.0% to add to Novembers -6.0% fall and October's -9.4% drop.

The yin-and-yang of bond markets continued with the 10-year treasury 7bps higher at 4.34% while the NZD and AUD were flat, although NZD/JPY rose to yet another new high breaching the 91.00 level. Also, given the move in bond markets, we should expect NZ swap rates to open higher this morning.

## The RIP corner!

Covering both ends of humanity, RIP Henry Kissinger, the former US Secretary of State, and Shane MacGowan of The Pogue'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	71.50					CAD	0.8348	0.8964
NZD/USD	0.6148	0.0001	0.0001	-0.0001	-0.0016	CHF	0.5387	0.5784
NZD/AUD	0.9311	-0.0008	-0.0023	-0.0046	-0.0082	CNY	4.3962	4.7210
NZD/JPY	91.16	-0.45	-1.30	-2.62	-5.07	DKK	4.2106	4.5202
NZD/EUR	0.5650	-0.0008	-0.0021	-0.0047	-0.0107	FJD	1.3524	1.4518
NZD/GBP	0.4873	-0.0001	-0.0002	-0.0006	-0.0017	HKD	4.8015	5.1545
						KRW	799.01	857.76
AU TWI	61.50					MYR	2.8631	3.0736
AUD/USD	0.6600	0.0007	0.0018	0.0031	0.0040	NOK	6.6446	7.1331
AUD/NZD	1.0732	0.0009	0.0026	0.0049	0.0076	SEK	6.4504	6.9246
AUD/JPY	97.85	-0.40	-1.15	-2.34	-4.63	SGD	0.8225	0.8830
AUD/EUR	0.6063	-0.0003	-0.0008	-0.0021	-0.0064	TWD	19.29	20.70
AUD/GBP	0.5232	0.0004	0.0011	0.0019	0.0027	ZAR	11.59	12.45
USD Index	103.47					<b>EQUITIES</b>		
EUR/USD	1.0882	0.0016	0.0042	0.0086	0.0178		<b>Index</b>	
USD/JPY	148.25	-0.76	-2.14	-4.24	-7.89	NZX50	11,330	
GBP/USD	1.2611	0.0003	0.0008	0.0011	0.0007	ASX200	7,087	
EUR/GBP	0.8627	0.0010	0.0028	0.0059	0.0134	Dow Jones	35,696	
						S&P 500	4,542	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,454	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,215	
30 day bank bills			5.58%		4.28%	Nikkei	33,487	
90 day bank bills			5.62%		4.37%	<b>COMMODITIES</b>		
1 year swap			5.56%		4.46%		<b>USD</b>	
2 year swap			5.14%		4.36%	Brent Crude	82.86	
3 year swap			4.88%		4.29%	Gold	2,033.69	
5 year swap			4.67%		4.50%	Silver	25.14	
10 year swap			4.72%		4.79%	Iron Ore	130.38	
3 year Govt bond			4.91%		4.02%	CRB Index	313.29	
5 year Govt bond			4.78%		4.08%		<b>NZD</b>	
10 year Govt bond			4.90%		4.41%	NZ Carbon	74.80	

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