

Market Alert

Friday 08 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6174	-0.0002
NZD/AUD	0.9345	-0.0049
NZD/JPY	88.62	-2.52
NZD/EUR	0.5714	-0.0048
NZD/GBP	0.4901	-0.0006
NZD/CNH	4.4201	-0.0575
AUD/USD	0.6604	0.0032
AUD/EUR	0.6110	-0.0020
EUR/USD	1.0806	0.0086
USD/CNH	7.1587	-0.0929
GBP/USD	1.2593	0.0010
EUR/GBP	0.8579	0.0059

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.63%	4.35%
2 year swap	5.17%	4.11%
10 year Govt	4.83%	4.34%

The JPY took a battering overnight...

... after BoJ Governor, Kazuo Ueda, announced, *"We will patiently continue monetary easing under YCC to support economic activity, cycle of wage growth. We have not yet reached a situation in which we can achieve price target sustainably and stably and with sufficient certainty. The BoJ has not made decision on which interest rate to target once we end negative interest rate policy. Options include raising rate applied to financial institutions' reserves at the BoJ or revert to policy targeting overnight call rate. What's important from here is for wages to keep rising and underpin consumption."* This saw traders increase their bets that the BoJ will end their negative interest rate settings sooner rather than later, which saw USD/JPY fall an incredible 375pips or -2.5% to 143.55 while NZD/USD and AUD/JPY both

dropped -2.0%.

To be honest, the weaker USD story is starting to become a bit repetitive now as it's dropped another -0.75% overnight after, yep, you guessed it, US 2 and 10-year yields fell a further -3bps and -6bps to yield 4.58% and 4.11% respectfully, which begs the question... have yields fallen too far? With US non-farm payrolls, unemployment, average hourly earnings, and inflation expectations all out tonight... the answer to that question is anyone's guess!

US equity markets had another positive session buoyed by speculation the AI boom will continue to fuel market gains, although European bourses struggled, posting modest loses. Commodity markets were quiet.

Ahead of tonight's crucial non-farms and earnings releases... we saw further evidence last night that the US job market is slowing after employers announced plans to cut 45,510 jobs in November, which was higher than October's 36,836. The layoffs were led by tech, financial, transportation, and health care/products. Meanwhile, the number of Americans filing for unemployment increased by 1k to 220k, slightly below expectations at 222k although it was the second-highest print since September. On a positive note, continuing claims shrank by 64k to 1,861k.

The other headlines saw Chinese exports unexpectedly jump 0.5% to USD291.9bn in-the-year to November following October's -6.4% fall against

market forecasts were for a -1.1% drop. Meanwhile, Australia posted a AUD7.13bn trade surplus in October against forecasts at AUD7.5bn as exports grew 0.4% from a month earlier, while imports declined by -1.9%. German industrial production fell -0.4% which was marginally better than September's revised -1.3% drop.

Finally, BoF and ECB Governor, Villeroy de Galhau, announced, *"disinflation is happening more quickly than we thought. This is why, barring any shocks, there will not be any new rise in rates. The question of a rate cut could arise in 2024, but not right now."* Which aligns with Goldman forecast the ECB will cut rates in April as *"inflation slows more forcefully than officials currently expect."*

You've got 2-hopes...

... Bob Hope and no hope! In New Zealand, the IRD is calling for NZD2bn of COVID business loans to be paid back... good luck with that.... while a local recruiter has announced most workers are likely to receive a pay rise below the cost of living increase.... It's no wonder those blokes get paid the big bucks!

Interestingly, ahead of their downgrade in China's outlook, Moody's advised their Beijing and Shanghai staff to work from home over 'concerns of a potential backlash'!

Reports suggest that SpaceX is close to finalising its IPO at USD95 a share, which would value the company at USD175bn.



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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	71.70					CAD	0.8388	0.8975
NZD/USD	0.6174	0.0001	0.0001	-0.0002	-0.0019	CHF	0.5392	0.5770
NZD/AUD	0.9345	-0.0009	-0.0024	-0.0049	-0.0092	CNY	4.4011	4.7102
NZD/JPY	88.62	-0.44	-1.25	-2.52	-4.86	DKK	4.2589	4.5562
NZD/EUR	0.5714	-0.0007	-0.0022	-0.0048	-0.0116	FJD	1.3560	1.4505
NZD/GBP	0.4901	-0.0001	-0.0002	-0.0006	-0.0019	HKD	4.8227	5.1594
						KRW	811.01	867.64
AU TWI	60.80					MYR	2.8840	3.0854
AUD/USD	0.6604	0.0007	0.0018	0.0032	0.0044	NOK	6.7053	7.1734
AUD/NZD	1.0695	0.0009	0.0026	0.0052	0.0092	SEK	6.4061	6.8533
AUD/JPY	94.81	-0.38	-1.10	-2.20	-4.30	SGD	0.8253	0.8831
AUD/EUR	0.6110	-0.0007	-0.0008	-0.0020	-0.0065	TWD	19.38	20.73
AUD/GBP	0.5245	0.0004	0.0011	0.0021	0.0030	ZAR	11.58	12.38
USD Index	103.52					EQUITIES		
EUR/USD	1.0806	0.0015	0.0042	0.0086	0.0182		Index	
USD/JPY	143.54	-0.73	-2.06	-4.02	-7.43	NZX50	11,497	
GBP/USD	1.2593	0.0004	0.0008	0.0010	0.0002	ASX200	7,173	
EUR/GBP	0.8579	0.0009	0.0027	0.0059	0.0137	Dow Jones	36,160	
						S&P 500	4,583	
INTEREST RATES			New Zealand		Australia	FTSE100	7,514	
			Mid		Mid	DAX 30	16,629	
30 day bank bills			5.57%		4.29%	Nikkei	32,858	
90 day bank bills			5.63%		4.35%	COMMODITIES		
1 year swap			5.55%		4.31%		USD	
2 year swap			5.17%		4.11%	Brent Crude	74.34	
3 year swap			4.89%		4.04%	Gold	2,031.59	
5 year swap			4.64%		4.25%	Silver	23.81	
10 year swap			4.64%		4.54%	Iron Ore	132.92	
3 year Govt bond			4.92%		3.93%	CRB Index	295.64	
5 year Govt bond			4.74%		3.98%		NZD	
10 year Govt bond			4.83%		4.34%	NZ Carbon	69.00	

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