

# Market Alert

Tuesday 12 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6122	0.0000
NZD/AUD	0.9320	-0.0048
NZD/JPY	89.56	-2.57
NZD/EUR	0.5691	-0.0048
NZD/GBP	0.4876	-0.0006
NZD/CNH	4.4048	-0.0535
AUD/USD	0.6567	0.0033
AUD/EUR	0.6102	-0.0020
EUR/USD	1.0758	0.0086
USD/CNH	7.1934	-0.0895
GBP/USD	1.2552	0.0012
EUR/GBP	0.8569	0.0058

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.63%	4.36%
2 year swap	5.20%	4.22%
10 year Govt	4.90%	4.34%

## The pause before the chaos!

With the Federal Reserve, ECB, BoE, SNB and the Norges Bank all meeting this week, financial markets will be searching for clues as to when central bankers will be targeting rate cuts should inflation continue to fall in 2024. But while the inflationary story remains positive, labour markets are more resilient with wage inflation 'sticky', hour earnings elevated, and unemployment low by historical levels. The recent price action also appears to be at odds as well with falling oil prices and rising gold prices indicating growing recessionary fears, while 10-year Treasury yields continue to firm amid hopes of a soft landing. Whichever way you look at it, its going to be a wild ride as we head into the weekend.

Last night's price action certainly played into the 'wait-and-see' narrative. Following on from Friday's dip in inflation expectations from the University of Michigan survey, the NY Fed's consumer inflation expectations survey eased from 3.6% to 3.4% in November to record its lowest print since April 2021. Bond markets were relatively steady, despite the bond auctions, with yields a couple of basis points higher, which saw the 10-years firm to 4.27%. The higher yields provided some support to the USD-index which firmed to the 104.20 level although the NZD/USD and the AUD/USD were flat. Interestingly, the main mover was USD/JPY which rallied 1.0% to be back above the 146.00 level after the BoJ poured cold water on the possibility of a December rate cut with 'officials seeing little need to rush.' Equity markets posted modest gains while commodity markets were mixed with oil prices half a percent higher after the COP28 draft agreement will apparently drop the term, "phasing out of fossil fuels".

The US 3-year and 10-year note auctions were both overbid, at USD120bn and USD93bn for the USD50bn and USD37bn available. Domestic buyers were about average although international buyers were below the 6-month average.

## NZ groceries still expensive!

The Infometrics grocery supplier cost index showed New Zealand grocery supplier costs fell from 5.4% to 4.8% in November, revealing that while

supplier costs are still increasing, the cost increases are easing with the index producing its first sub-5.0% print since March 2022. Today we get both net NZ migration for October and card spending for November, and I wouldn't be too surprised if the year-on-year migration numbers set yet another record.

Recent data from one of the Australian bank's highlights that the number of Australian workers holding down 2-jobs has sky-rocketed post-the-pandemic. The report is not clear on why this is, suggesting it could be due to workers deciding that they want to do what they love, or because workers have picked up a side hustle during the COVID lockdowns, but while the bank is trying to be nice, let's be honest, it's because there is a cost of living crisis! Who would want to work 2-jobs if they had a choice? I would expect that this data would not be starkly different to New Zealand.

## Just for the youngster's ...

... I'm sorry but you'll have to keep working for a few more years yet ... because Bitcoin fell -9% overnight!

But even worst news, South Korean pop sensation BTS are taking a pause until 2025 with 2-members beginning their mandatory military service today!



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# Daily Rates

Tuesday 12 December 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.40					CAD	0.8308	0.8912
NZD/USD	0.6122	0.0001	0.0002	0.0000	-0.0013	CHF	0.5379	0.5771
NZD/AUD	0.9320	-0.0010	-0.0024	-0.0048	-0.0089	CNY	4.3936	4.7093
NZD/JPY	89.56	-0.51	-1.28	-2.57	-4.94	DKK	4.2419	4.5503
NZD/EUR	0.5691	-0.0008	-0.0022	-0.0048	-0.0111	FJD	1.3502	1.4484
NZD/GBP	0.4876	-0.0001	-0.0002	-0.0006	-0.0016	HKD	4.7786	5.1260
						KRW	805.75	864.32
AU TWI	61.00					MYR	2.8651	3.0734
AUD/USD	0.6567	0.0008	0.0019	0.0033	0.0048	NOK	6.7010	7.1881
AUD/NZD	1.0722	0.0010	0.0026	0.0052	0.0090	SEK	6.4222	6.8890
AUD/JPY	96.06	-0.44	-1.14	-2.26	-4.44	SGD	0.8228	0.8826
AUD/EUR	0.6102	-0.0002	-0.0008	-0.0020	-0.0066	TWD	19.27	20.67
AUD/GBP	0.5231	0.0004	0.0011	0.0021	0.0030	ZAR	11.68	12.53
USD Index	104.15					<b>EQUITIES</b>		
EUR/USD	1.0758	0.0017	0.0041	0.0086	0.0187		<b>Index</b>	
USD/JPY	146.27	-0.84	-2.14	-4.17	-7.76	NZX50	11,449	
GBP/USD	1.2552	0.0004	0.0008	0.0012	0.0013	ASX200	7,199	
EUR/GBP	0.8569	0.0010	0.0027	0.0058	0.0136	Dow Jones	36,371	
						S&P 500	4,617	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,545	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,794	
30 day bank bills			5.57%		4.29%	Nikkei	32,792	
90 day bank bills			5.63%		4.36%	<b>COMMODITIES</b>		
1 year swap			5.54%		4.34%		<b>USD</b>	
2 year swap			5.20%		4.22%	Brent Crude	76.27	
3 year swap			4.95%		4.15%	Gold	1,980.22	
5 year swap			4.72%		4.35%	Silver	22.80	
10 year swap			4.73%		4.62%	Iron Ore	135.45	
3 year Govt bond			4.97%		3.96%	CRB Index	299.33	
5 year Govt bond			4.81%		4.01%		<b>NZD</b>	
10 year Govt bond			4.90%		4.34%	NZ Carbon	71.00	

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