

Market Alert

Friday 15 December 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6208	-0.0001
NZD/AUD	0.9267	-0.0048
NZD/JPY	88.04	-2.47
NZD/EUR	0.5649	-0.0045
NZD/GBP	0.4867	-0.0006
NZD/CNH	4.4207	-0.0521
AUD/USD	0.6697	0.0032
AUD/EUR	0.6094	-0.0019
EUR/USD	1.0988	0.0083
USD/CNH	7.1225	-0.0825
GBP/USD	1.2752	0.0006
EUR/GBP	0.8613	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	4.76%	3.97%
10 year Govt	4.67%	4.18%

Following yesterday's Fed pivot...

... the ECB, BoE, and Swiss National Bank (SNB) were more reserved with their announcements overnight.

The ECB left their interest rate unchanged for a second meeting in a row, although there was an adjustment to the statement removing the term, "inflation is expected to remain too high for too long," stating instead that it will, "decline gradually over the course of next year." The central bank also signalled an early conclusion to its last remaining PEPP reinvestment scheme while ECB President, Christine Lagarde, also re-emphasised that "Policymakers did not discuss any rate cuts. Any future decisions would be data dependent." Before adding, "Inflation is likely to pick-up in December due to base effects, although the base effects will

slowly decline in 2024. Tighter financing conditions are to weigh on the economy. The inflation path is flatter than before, (although) we believe there is still work to be done and that can be in the form of holding."

The BoE voted by a majority of 6-3 to keep its benchmark interest rate at a 15-year high of 5.25% for the third consecutive meeting with the statement emphasising monetary policy was "likely to need to be restrictive for an extended period of time." Interestingly, 3 members advocated for a 25bps rate hike citing the tight labour market and persistent inflationary pressures.

The SNB left its key policy rate unchanged at 1.75% for a second consecutive meeting in line with forecasts as "inflationary pressures have decreased slightly."

Following yesterday's tear in bond markets, this morning traders are pricing in an incredible 6 cuts next year in the US, which contributed to a further drop in yields with the US 2 and 10-years -10bps lower to yield 4.38% and 3.93% ... yes, that is correct, the 10-year yield is consolidating below the 4.0% level! Incredibly the Australian 10-year on-the-run is -17bps lower at 4.11% while the New Zealand 10-years is at -20bps lower at 4.65%! But while bond markets are tearing up a storm, FX markets are a lot more sanguine with NZD/USD and AUD/USD opening this morning 30-40pips below yesterday's highs. European equity markets also had a positive session, although the US bourses will

close moderately lower while WTI crude futures jumped 4% to over USD72 a barrel to further extend Wednesday's a 1.3% gain on Wednesday.

Interesting fact for those of an older persuasion ...

... on this day in 1979 The Clash released one of the greatest albums ever, London Calling!

US retail sales rose unexpectedly in November, increasing 0.3% in the month rebounding from October -0.2% reading, and beating market forecasts of a -0.1% decline. Figure suggest a strong start to the holiday shopping season with sales while non-store retailers and furniture stores recording the biggest increases. The other US headline saw initial claims slump by 19k to 202k, which was well below market expectations at 220k.

Yesterday saw Australian employment growth beat expectations with 61.5k workers added to the workforce, although the unemployment rate firmed from 3.8% to 3.9%. The participation rate climbed to a record high of 67.2% from 67.0%, while the underemployment rate inched up to 6.5%. Unfortunately the news wasn't quite so cheerful in New Zealand after Q3 GDP plummeted to -0.3% on the quarter and to -0.6%, which means that last summer's technical recession, which was revised away, has now been revised back in!



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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	72.00					CAD	0.8324	0.8979
NZD/USD	0.6208	0.0001	0.0001	-0.0001	-0.0013	CHF	0.5380	0.5806
NZD/AUD	0.9267	-0.0009	-0.0024	-0.0048	-0.0082	CNY	4.4103	4.7608
NZD/JPY	88.04	-0.45	-1.25	-2.47	-4.62	DKK	4.2127	4.5446
NZD/EUR	0.5649	-0.0007	-0.0021	-0.0045	-0.0104	FJD	1.3546	1.4613
NZD/GBP	0.4867	-0.0001	-0.0002	-0.0006	-0.0013	HKD	4.8480	5.2298
						KRW	801.04	864.14
AU TWI	61.90					MYR	2.8991	3.1275
AUD/USD	0.6697	0.0007	0.0019	0.0032	0.0043	NOK	6.5361	7.0509
AUD/NZD	1.0787	0.0010	0.0027	0.0052	0.0076	SEK	6.3568	6.8575
AUD/JPY	94.99	-0.39	-1.11	-2.20	-4.24	SGD	0.8242	0.8891
AUD/EUR	0.6094	-0.0002	-0.0007	-0.0019	-0.0062	TWD	19.38	20.90
AUD/GBP	0.5250	0.0004	0.0011	0.0020	0.0029	ZAR	11.37	12.27
USD Index	102.04					EQUITIES		
EUR/USD	1.0988	0.0015	0.0042	0.0083	0.0164		Index	
USD/JPY	141.83	-0.74	-2.05	-3.95	-7.15	NZX50	11,553	
GBP/USD	1.2752	0.0003	0.0007	0.0006	0.0002	ASX200	7,378	
EUR/GBP	0.8613	0.0009	0.0027	0.0058	0.0120	Dow Jones	37,148	
						S&P 500	4,705	
INTEREST RATES			New Zealand		Australia	FTSE100	7,649	
			Mid		Mid	DAX 30	16,752	
30 day bank bills			5.61%		4.35%	Nikkei	32,686	
90 day bank bills			5.67%		4.40%	COMMODITIES		
1 year swap			5.30%		4.18%		USD	
2 year swap			4.76%		3.99%	Brent Crude	77.14	
3 year swap			4.49%		3.90%	Gold	2,032.20	
5 year swap			4.29%		4.10%	Silver	24.05	
10 year swap			4.38%		4.37%	Iron Ore	135.03	
3 year Govt bond			4.58%		3.77%	CRB Index	295.33	
5 year Govt bond			4.48%		3.82%		NZD	
10 year Govt bond			4.67%		4.18%	NZ Carbon	71.00	

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