

Market Alert

Tuesday 16 January 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6200	-0.0004
NZD/AUD	0.9308	-0.0047
NZD/JPY	90.37	-2.52
NZD/EUR	0.5661	-0.0045
NZD/GBP	0.4871	-0.0005
NZD/CNH	4.4532	-0.0606
AUD/USD	0.6660	0.0028
AUD/EUR	0.6082	-0.0018
EUR/USD	1.0949	0.0074
USD/CNH	7.1835	-0.0932
GBP/USD	1.2728	0.0004
EUR/GBP	0.8602	0.0056

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.68%	4.40%
2 year swap	4.67%	3.96%
10 year Govt	4.61%	4.16%

It didn't take long for the cynicism of 2024 to emerge!

First up was video of a cargo ship in flames that was widely shared on X, purportedly showing footage of a Houthis missile attack on a US-owned ship off the coast of Yemen, although research later discovered the footage was from 2021 Singaporean registered container ship which caught fire after some of the chemical material on board exploded. We then had Donald Trump attempting to drum support at the Iowa primary, claiming "You can't sit home. If you're as sick as a dog, you say, 'Darling, I gotta make it'. Even if you vote and then pass away, it's worth it!"

Germany confirmed it was the worst-performing major economy last year after a report stated the economy had

contracted by -0.3% in 2023, following 2022s downwardly revised 1.8% expansion while wholesale prices fell -2.6% in the year to December following November's -3.6%. Looking at the wider Eurozone, industrial production declined for the third consecutive month falling by -0.3% in November.

In Australia, household spending fell -3.1% in December as November's Black Friday/Cyber Monday sales brought forward everyone's Christmas shopping! Meanwhile, the Melbourne Institute's Private Company Inflation survey saw inflation soar by 1.0% in December to its highest level in 17-months.

With the US on holiday, lawmakers released a stopgap spending bill to avert (yet another) partial government shutdown on the 20th of January. The Senate will vote on it overnight night as the proverbial can is kicked down the road for a further 6 weeks!

Japanese Finance Ministry Director General, Michio Saito, believes the BoJ will achieve its stable inflation target this year, although not the way they envisage, as, "Rather than strong demand pulling up wages and prices through a virtuous cycle, the chronic labour shortage will be the main factor."

Speaking at the opening of the World Economic Forum in Davos, IMF President Kristalina Georgieva highlighted China's structural challenges stating, "China needs structural reforms to continue to open up the economy, to balance their growth model more towards domestic consumption," while Robert Holzmann, an

ECB member, insisted it's "much too early" to talk about trimming borrowing costs and that, "We should not bank on the rate cut at all for 2024."

So what does it all mean?

Despite rumours to the contrary, the PBoC unexpectedly maintained its key MLF rate at 2.5% while also pumping more cash into the financial system, defying expectations of an interest rate cut. The good news is that we might not have to wait long for China to change gears with the PBOC meeting again next Monday to decide on their LPR rates, which currently stand at 3.45% for the 1-year rate and 4.20% for the 5-year, while a PBoC official hinted last week that they may lower their reserve requirement ratio. Ultimately though, the central banks inaction weighed on commodity prices, particularly the NZD and AUD, as the US holiday drained liquidity. Equity market were lower overnight while oil prices dipped back below the USD80 level.

Really?

I guess these people aren't the sharpest tools in the toolbox ... London police arrested 6 pro-Palestine activists for allegedly planning to chain their necks to the doors of the London Stock Exchange to prevent anyone from entering in an attempt to disrupt trading amid the ongoing Israel-Hamas war. Don't they realise the LSE trades electronically so traders can just set-up in the coffee shop down the road?



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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	72.20					CAD	0.8330	0.8947
NZD/USD	0.6201	0.0000	0.0000	-0.0004	-0.0021	CHF	0.5304	0.5699
NZD/AUD	0.9310	-0.0010	-0.0025	-0.0047	-0.0076	CNY	4.4446	4.7760
NZD/JPY	90.39	-0.48	-1.28	-2.52	-4.78	DKK	4.2224	4.5357
NZD/EUR	0.5663	-0.0007	-0.0020	-0.0045	-0.0102	FJD	1.3567	1.4573
NZD/GBP	0.4872	-0.0001	-0.0002	-0.0005	-0.0020	HKD	4.8495	5.2093
						KRW	818.66	879.40
AU TWI	62.00					MYR	2.8935	3.1082
AUD/USD	0.6660	0.0007	0.0018	0.0028	0.0030	NOK	6.4220	6.8984
AUD/NZD	1.0739	0.0010	0.0028	0.0051	0.0080	SEK	6.3997	6.8745
AUD/JPY	97.08	-0.41	-1.11	-2.24	-4.40	SGD	0.8265	0.8878
AUD/EUR	0.6082	-0.0002	-0.0006	-0.0018	-0.0062	TWD	19.39	20.82
AUD/GBP	0.5232	0.0004	0.0012	0.0020	0.0021	ZAR	11.58	12.43
USD Index	102.60					EQUITIES		
EUR/USD	1.0949	0.0015	0.0039	0.0074	0.0158		Index	
USD/JPY	145.78	-0.78	-2.07	-3.97	-7.25	NZX50	11,773	
GBP/USD	1.2728	0.0002	0.0006	0.0004	0.0000	ASX200	7,496	
EUR/GBP	0.8602	0.0010	0.0027	0.0056	0.0121	Dow Jones	37,593	
						S&P 500	4,784	
INTEREST RATES			New Zealand		Australia	FTSE100	7,595	
			Mid		Mid	DAX 30	16,622	
30 day bank bills			5.58%		4.36%	Nikkei	35,902	
90 day bank bills			5.64%		4.40%	COMMODITIES		
1 year swap			5.29%		4.18%		USD	
2 year swap			4.68%		3.97%	Brent Crude	78.15	
3 year swap			4.40%		3.87%	Gold	2,054.24	
5 year swap			4.22%		4.08%	Silver	23.21	
10 year swap			4.34%		4.39%	Iron Ore	137.22	
3 year Govt bond			4.45%		3.69%	CRB Index	302.66	
5 year Govt bond			4.33%		3.76%		NZD	
10 year Govt bond			4.61%		4.16%	NZ Carbon	67.85	

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