

# Market Alert

Wednesday 17 January 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6129	-0.0004
NZD/AUD	0.9317	-0.0048
NZD/JPY	90.24	-2.51
NZD/EUR	0.5638	-0.0045
NZD/GBP	0.4856	-0.0006
NZD/CNH	4.4242	-0.0576
AUD/USD	0.6576	0.0029
AUD/EUR	0.6049	-0.0018
EUR/USD	1.0867	0.0077
USD/CNH	7.2196	-0.0897
GBP/USD	1.2620	0.0005
EUR/GBP	0.8610	0.0055

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.67%	4.40%
2 year swap	4.70%	4.02%
10 year Govt	4.64%	4.24%

## It's all red said Fred.

Late afternoon yesterday, Asian equity and currency markets entered into the red, undertaking a risk-off theme ... and this momentum was carried through into the overnight markets after Federal Reserve Governor Christopher Waller acknowledged that while interest rate cuts are likely this year, the central bank will not rush into a cutting cycle stating, "As long as inflation doesn't rebound and stay elevated, I believe the FOMC will be able to lower the target range for the federal funds rate this year. (But) with economic activity and labour markets in good shape and inflation coming down gradually to 2.0%, I see no reason to move as quickly or cut as rapidly as in the past. When the time is right to begin lowering rates, I believe it can and should be lowered methodically and

*carefully. In many previous cycles the FOMC cut rates reactively and did so quickly, and often by large amounts, this cycle however, I see no reason to move as quickly or cut as rapidly as in the past."*

This naturally led to a global sell-off in equity markets, with most exchanges -0.50% to -1.0% lower, while bond yields firmed with the US 2 and 10-years 11bps and 13bps higher at 4.24% and 4.08%, respectively. NZ and AU rates will open higher this morning. The USD-index also received a boost firming 0.75% to close above the 103.00 level, which naturally saw the NZD and AUD outperform to the downside as both currencies fell -1.0% against the dollar.

In a similar theme, and ahead of next week's ECB meeting, ECB member Robert Holzmann, announced, "I cannot imagine that we'll talk about cuts yet, because we should not talk about it. Everything we have seen in recent weeks points in the opposite direction. Unless we see a clear decline towards 2.0%, we won't be able to make any announcement at all when we're going to cut." Robert's colleague, Gediminas Simkus, was even more explicit stating, "I am far less optimistic than the market is on rate cuts," while Madis Muller added, "Wage growth is not in line with the inflation target. The market expectations for 2024 ECB rate cuts are aggressive."

Looking at the overnight data releases, the NY Empire manufacturing index plummeted to its lowest print since May 2020 dropping from -14.5 to

-43.7 in January. The ECB's consumer expectations survey suggests Eurozone inflation will dip to 3.2% in 2024, which is significantly lower than the previous 4.0%, while the German ZEW sentiment index rose to its highest level in 11 months after it firmed 2.4pips to 15.2.

## In the New Zealand corner

Last night's GDT auction brought further good news for dairy farmers as the GDT price index increased 2.3% to just below the USD3,500 level. Mozzarella was the only loser, decreasing -3.3%, while WMP posted a reasonable 1.7% gain, with butter as the biggest winner, up 5.8%.

Yesterday's QSBO report highlighted a post-election bounce in business sentiment as key activity, investment and hiring metrics all pointed to a strong cyclical rebound over 2024. Labour market indicators suggested hiring intentions are lifting while it is also becoming easier to fill vacancies as record immigration starts to impact. This comes amidst the BNZ/SEEK employment report that the number of applications per job advertisement has now reached "unprecedented levels".

And talking of employment, local accounting firm Grant Thornton has thrown a spanner at the 4-day work week and is trialling a 9-day fortnight, which will see staff working for 9 days but paid for 10.



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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	0.8274	0.8880
NZD/USD	0.6130	0.0000	0.0000	-0.0004	-0.0018	CHF	0.5278	0.5665
NZD/AUD	0.9319	-0.0010	-0.0026	-0.0048	-0.0074	CNY	4.4037	4.7264
NZD/JPY	90.26	-0.46	-1.27	-2.51	-4.77	DKK	4.2054	4.5121
NZD/EUR	0.5639	-0.0007	-0.0021	-0.0045	-0.0102	FJD	1.3503	1.4488
NZD/GBP	0.4857	-0.0001	-0.0002	-0.0006	-0.0020	HKD	4.7964	5.1462
						KRW	820.78	880.64
AU TWI	61.50					MYR	2.8745	3.0841
AUD/USD	0.6576	0.0007	0.0018	0.0029	0.0031	NOK	6.4197	6.8879
AUD/NZD	1.0731	0.0011	0.0029	0.0052	0.0077	SEK	6.4023	6.8692
AUD/JPY	96.85	-0.39	-1.10	-2.20	-4.40	SGD	0.8229	0.8829
AUD/EUR	0.6049	-0.0002	-0.0006	-0.0018	-0.0062	TWD	19.30	20.71
AUD/GBP	0.5210	0.0004	0.0012	0.0020	0.0021	ZAR	11.63	12.47
USD Index	103.39					<b>EQUITIES</b>		
EUR/USD	1.0867	0.0014	0.0039	0.0077	0.0163		<b>Index</b>	
USD/JPY	147.24	-0.76	-2.09	-3.97	-7.37	NZX50	11,771	
GBP/USD	1.2620	0.0002	0.0006	0.0005	0.0006	ASX200	7,415	
EUR/GBP	0.8610	0.0009	0.0026	0.0055	0.0122	Dow Jones	37,215	
						S&P 500	4,755	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,558	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,572	
30 day bank bills			5.58%		4.36%	Nikkei	35,619	
90 day bank bills			5.64%		4.40%	<b>COMMODITIES</b>		
1 year swap			5.30%		4.24%		<b>USD</b>	
2 year swap			4.71%		4.03%	Brent Crude	77.92	
3 year swap			4.42%		3.97%	Gold	2,027.39	
5 year swap			4.25%		4.16%	Silver	22.94	
10 year swap			4.38%		4.46%	Iron Ore	137.22	
3 year Govt bond			4.46%		3.76%	CRB Index	302.66	
5 year Govt bond			4.35%		3.83%		<b>NZD</b>	
10 year Govt bond			4.64%		4.23%	NZ Carbon	67.50	

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