

Market Alert

Wednesday 31 January 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6125	-0.0005
NZD/AUD	0.9285	-0.0051
NZD/JPY	90.52	-2.50
NZD/EUR	0.5652	-0.0047
NZD/GBP	0.4828	-0.0006
NZD/CNH	4.4026	-0.0568
AUD/USD	0.6593	0.0031
AUD/EUR	0.6083	-0.0019
EUR/USD	1.0834	0.0080
USD/CNH	7.1886	-0.0877
GBP/USD	1.2679	0.0006
EUR/GBP	0.8542	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.70%	4.39%
2 year swap	4.78%	4.02%
10 year Govt	4.70%	4.22%

While many will debate the rationale behind the move ...

... the IMF increased its 2024 its GDP forecasts higher citing the unexpected strength of the US economy and the recently announced fiscal support measures in China. It now sees global growth at 3.1% in 2024, which is 0.2% higher than their October forecasts. For 2025, the IMF is maintaining its prior forecast at 3.2%. On a side note, the IMF warned the UK against any further tax cuts.

And just to prove the point about the US economy, the JOLTS jobs report saw the number of job openings surge by 101k to reach 9.026 million in December, which was well above estimates at 8.75 million. Furthermore, US confidence index rose for the third straight month in January

to 114.8 from December's 108 while the CoreLogic Case-Shiller 20-city home price index rose 5.4% in-the-year to November to reach a new 12-month high, although it was below forecasts at 5.8%.

Heck, there was even some positivity from the Eurozone, although positivity may be a little strong after Q4 GDP stagnated at 0.0%, which saw the Euro-area unexpectedly avoid a recession following Q3's -0.1% print. Essentially firmer growth in Italy and Spain offset the contraction in Germany, which shrank -0.3%. On the year, Euro-area inflation reached 0.1%. We also had a couple of ECB Governors speaking, with Gabriel Makhlof announcing, "We should remain open-minded about the rate path. With disinflation well-underway, we are confident of reaching our 2.0% target," while Joachim Nagel confirmed, "Inflation is absolutely moving in the right direction." Boris Vujcic suggested the ECB, "may take pauses along the way to ensure it doesn't upset the economy."

And speaking of stagflation, okay, I wasn't, but it is a nice segway, Chinese wages are falling fast after the average Q4 salary fell 1.3% on the year in the countries 38 largest cities, while Japan's unemployment rate fell to 2.4% in December from the two previous months 2.5% prints.

The overnight positivity saw European equity markets grind higher although profit taking on a couple of the US bourses saw a mixed US performance. Bond markets were mixed as the US

2-year yield firmed 6bps to 4.38% while the 10-year fell -1bps to reach 4.08%. FX markets were flat while oil prices firmed after Aramco delayed plans to increase crude production from 12m barrels to 13m barrels per day.

If you managed to stay awake for it ...

... yesterday's speech by the RBNZs Chief Economist, Paul Conway, supported the higher-for-longer narrative after he warned, "Private demand in the economy has mostly been revised up, with stronger consumption and business investment than first reported," before concluding that, "Monetary policy is working, with the economy slowing and inflation falling. But we still have a way to go to get inflation back to the target midpoint." We suspect that while the RBNZs November warning of a possible H1 2024 rate hike is off the table, a fast-paced cutting cycle also remains highly unlikely. In Australia, retail sales declined by -2.7%, which was well below forecasts at -1.0%.

This sounds a little like an each-way bet but BlackRock has upgraded its US equity outlook to overweight projecting the S&P500 rally will continue for a further 6 to 12-months, although investors should "stay nimble" and be "ready to pivot!"

Morgan Stanley expects a slow rate-cutting cycle from the Fed as, "Inflation is running at a substantially lower rate than the Fed Funds rate."



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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	71.60					CAD	0.8210	0.8841
NZD/USD	0.6126	0.0000	0.0000	-0.0005	-0.0016	CHF	0.5282	0.5688
NZD/AUD	0.9287	-0.0008	-0.0026	-0.0051	-0.0083	CNY	4.3846	4.7224
NZD/JPY	90.54	-0.40	-1.26	-2.50	-4.79	DKK	4.2134	4.5353
NZD/EUR	0.5653	-0.0006	-0.0022	-0.0047	-0.0109	FJD	1.3479	1.4509
NZD/GBP	0.4830	-0.0001	-0.0003	-0.0006	-0.0017	HKD	4.7879	5.1537
						KRW	815.00	877.27
AU TWI	61.60					MYR	2.8941	3.1152
AUD/USD	0.6593	0.0006	0.0018	0.0031	0.0040	NOK	6.3958	6.8845
AUD/NZD	1.0765	0.0009	0.0029	0.0056	0.0085	SEK	6.3772	6.8644
AUD/JPY	97.47	-0.35	-1.09	-2.19	-4.36	SGD	0.8204	0.8831
AUD/EUR	0.6083	-0.0002	-0.0006	-0.0019	-0.0066	TWD	19.08	20.54
AUD/GBP	0.5197	0.0004	0.0012	0.0021	0.0026	ZAR	11.52	12.40
USD Index	103.52					EQUITIES		
EUR/USD	1.0834	0.0013	0.0041	0.0080	0.0180		Index	
USD/JPY	147.80	-0.66	-2.05	-3.98	-7.47	NZX50	11,914	
GBP/USD	1.2679	0.0002	0.0005	0.0006	0.0009	ASX200	7,600	
EUR/GBP	0.8542	0.0008	0.0027	0.0058	0.0129	Dow Jones	38,425	
						S&P 500	4,924	
INTEREST RATES			New Zealand		Australia	FTSE100	7,666	
			Mid		Mid	DAX 30	16,972	
30 day bank bills			5.59%		4.36%	Nikkei	36,066	
90 day bank bills			5.66%		4.39%	COMMODITIES		
1 year swap			5.35%		4.22%		USD	
2 year swap			4.80%		4.04%	Brent Crude	83.17	
3 year swap			4.52%		3.94%	Gold	2,032.08	
5 year swap			4.36%		4.14%	Silver	23.05	
10 year swap			4.48%		4.43%	Iron Ore	135.55	
3 year Govt bond			4.59%		3.76%	CRB Index	310.86	
5 year Govt bond			4.47%		3.83%		NZD	
10 year Govt bond			4.70%		4.23%	NZ Carbon	71.45	

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