

# Market Alert

Thursday 01 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6140	-0.0006
NZD/AUD	0.9308	-0.0053
NZD/JPY	89.95	-2.52
NZD/EUR	0.5662	-0.0048
NZD/GBP	0.4827	-0.0009
NZD/CNH	4.4097	-0.0578
AUD/USD	0.6595	0.0031
AUD/EUR	0.6079	-0.0019
EUR/USD	1.0844	0.0079
USD/CNH	7.1810	-0.0873
GBP/USD	1.2714	0.0004
EUR/GBP	0.8529	0.0057

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.71%	4.40%
2 year swap	4.77%	3.82%
10 year Govt	4.64%	4.10%

## With all eyes on the Federal Reserve announcement this morning

... The actual announcement was a bit of a 'damp squib' after the Committee left interest rates unchanged with the Fed Funds range remaining at 5.25-5.50% while the recent indicators suggest that US economic activity has been expanding at a solid pace. Interestingly the statement removed the reference to "additional policy firming" while "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2.0%. Inflation has eased over the past year but remains elevated." Summing it up, the main line about a hiking bias was removed, and was replaced with a pushback against cutting too soon!

Ahead of the Fed announcement, markets were optimistically front running an accelerated cutting cycle with a weaker USD and lower treasury yields with the 10-years 10bps lower at 3.96% and, post the announcement and ahead of the Q&A session, there was a small rebound with the USD-index printing flat on the day which saw the NZD/USD and AUD/USD give up their gains, although the 10-year yield only firmed to the 3.99% level. US equity market sold off at the margin while oil prices had been weak all session. Bring on the Q&A.

Prior to the Fed announcement, the ADP January jobs report saw 107k jobs added to the economy against forecasts of 145k, while Q4 employment costs increased 0.9% following on from Q3's 1.21% gain.

## The big news yesterday ...

... was the Australian CPI report after Q4 headline inflation rose 0.6% on the month and 4.1% on the year against expectation for a 0.8% and 4.3% rise. The trim and weighted mean prices also undershot forecasts printing at 4.2% and 4.4% with both having fallen from their prior 5.2% prints. This has been viewed as a positive by Australian fixed income traders with most unwinding any remaining hikes with forecasters now optimistically pricing in a cut by June. While the inflation print was a positive, Australian Treasurer, Jim Chalmers, warned, "The lower inflation report is welcome, but the job is not yet complete."

In New Zealand the impact of the new government continues to impact with business confidence surging from 33.2% to 36.6%, and there was the added bonus that inflation expectations had fallen back 4.28% from 4.61%, although most firms still anticipate raising their prices this year while the activity outlook eased back to 25.6% from 29.3%. To summarise, it was a 'glass-half-full' report!

Overnight, ECB Vice President, Luis de Guindos, stated, "Recent inflation figures have mostly brought positive surprises recently, and I think that inflation will be slightly lower than we have predicted although Euro-area growth prospects have deteriorated. Growth could even be slightly below the 0.8% projected in December." Later in the session ECB Chief Economist, Nathan Lane, warned, "We need more confidence that inflation is headed to 2.0%. Inflation is a smaller problem but is still a challenge."

China's major state-owned banks were reportedly selling US-dollars to defend yuan currency yesterday.



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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	0.8218	0.8827
NZD/USD	0.6141	0.0000	-0.0001	-0.0006	-0.0021	CHF	0.5279	0.5672
NZD/AUD	0.9311	-0.0010	-0.0027	-0.0053	-0.0093	CNY	4.4003	4.7272
NZD/JPY	89.97	-0.44	-1.27	-2.52	-4.80	DKK	4.2197	4.5324
NZD/EUR	0.5663	-0.0008	-0.0023	-0.0048	-0.0110	FJD	1.3509	1.4510
NZD/GBP	0.4830	-0.0001	-0.0004	-0.0009	-0.0021	HKD	4.8001	5.1558
						KRW	816.40	876.90
AU TWI	61.40					MYR	2.9024	3.1175
AUD/USD	0.6595	0.0007	0.0018	0.0031	0.0040	NOK	6.4285	6.9048
AUD/NZD	1.0738	0.0010	0.0030	0.0057	0.0099	SEK	6.3551	6.8260
AUD/JPY	96.61	-0.38	-1.10	-2.19	-4.28	SGD	0.8213	0.8822
AUD/EUR	0.6079	-0.0002	-0.0007	-0.0019	-0.0061	TWD	19.17	20.59
AUD/GBP	0.5186	0.0004	0.0011	0.0020	0.0026	ZAR	11.45	12.30
USD Index	103.23					<b>EQUITIES</b>		
EUR/USD	1.0844	0.0014	0.0040	0.0079	0.0171		<b>Index</b>	
USD/JPY	146.47	-0.71	-2.06	-3.97	-7.34	NZX50	11,872	
GBP/USD	1.2714	0.0002	0.0006	0.0004	-0.0001	ASX200	7,681	
EUR/GBP	0.8529	0.0008	0.0025	0.0057	0.0129	Dow Jones	38,482	
						S&P 500	4,887	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,631	
			<b>Mid</b>		<b>Mid</b>	DAX 30	16,904	
30 day bank bills			5.59%		4.35%	Nikkei	36,287	
90 day bank bills			5.67%		4.40%	<b>COMMODITIES</b>		
1 year swap			5.34%		4.12%		<b>USD</b>	
2 year swap			4.78%		3.84%	Brent Crude	81.68	
3 year swap			4.49%		3.73%	Gold	2,046.19	
5 year swap			4.31%		3.93%	Silver	23.04	
10 year swap			4.40%		4.25%	Iron Ore	135.61	
3 year Govt bond			4.56%		3.67%	CRB Index	314.49	
5 year Govt bond			4.43%		3.75%		<b>NZD</b>	
10 year Govt bond			4.64%		4.15%	NZ Carbon	73.85	

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