

Market Alert

Monday 05 February 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6057	-0.0004
NZD/AUD	0.9310	-0.0054
NZD/JPY	89.92	-2.52
NZD/EUR	0.5619	-0.0048
NZD/GBP	0.4794	-0.0008
NZD/CNH	4.4260	-0.0570
AUD/USD	0.6504	0.0032
AUD/EUR	0.6029	-0.0017
EUR/USD	1.0784	0.0083
USD/CNH	7.2142	-0.0878
GBP/USD	1.2630	0.0008
EUR/GBP	0.8537	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.70%	4.37%
2 year swap	4.72%	3.91%
10 year Govt	4.61%	4.07%

Maybe these central bankers know what they're doing after all!

For all of the talk by economists and forecasters that central bankers will embark on aggressive rate cutting cycles in 2024, comments at last week's Fed meeting by Chair, Jerome Powell, threw a spanner into those projections, and right on cue, Friday's data backed up the Governor ... and ourselves ... after non-farm payrolls surged an incredible 353k in January, which was well above estimates at 185k, while December's 216k was revised higher to 333k. The unemployment rate held steady at 3.7% while wages spiked by the most since March 2022 with more people working firming to 4.5% on the year, which was above forecasts at 4.1%.

The stronger than expected performance of the US economy saw treasury yields gap higher with the 2 and 10-years surging 17bps higher to yield 4.37% and 4.02%, while the USD-index is closing in on the 104.00 level towards a 7-week high after it rallied a full cent higher than its pre-announcement level. This pushed the NZD/USD and AUD/USD to 3-month lows, while commodity prices were a sea of red with crude and WTI -2.0% and -1.75% lower as both fell below the USD80.00 per barrel level. Equity markets also had a positive session after strong results lifted investor confidence after Meta shares surged 20.3% while Amazon gained 7.8% to outweigh Apples decline.

Talking of central bankers ...

... Fed Chair, Jerome Powell, will be hitting the newswires soon with an appearance on 60-minutes while, over the weekend, BoE Chief Economist, Huw Pill, stated "The time when rate cuts will be possible is some way off for me. We need to look through any temporary achievement of inflation target in the coming months." The ECB's Joachim Nagel, suggested the central bank has tamed the "greedy beast" of inflation with, "It's looking like a soft landing for the eurozone is possible" while the Fed's Austan Goolsbee, warned, "We wouldn't want to make much of any one month, but the continued strength of the labour market would lessen my worry that the job market side of our mandate is deteriorating." Despite the brisk hiring numbers, weakness in overall hours

worked suggests that "this wasn't as strong as that headline number suggested."

In New Zealand, consumer confidence firmed from 93.1 to 93.6, although inflation expectations also firmed, lifting from 3.9% to 4.3%. Over the ditch, Australian fourth quarter PPI's have printed, showing a reading of an increase of 0.9%, down from a 1.8% increase in the previous month.

Then week ahead.

Ahead of tomorrow's RBA meeting, a few of the local economists have done a full 'about-turn' talking out their 2024 rate hike calls now calling for cuts in H2 2024. I suspect they are probably right, but that doesn't necessarily mean we should expect any 'dovish' comments at tomorrow's meeting ... remember Governor Michele Bullock raised interest rates at her second meeting last year and her post-meeting comments have also tended to have a hawkish element to them.

Apart from the RBA meeting we have external trade data from Australia, Germany, and France. We'll also have a few post-meeting speeches from various Fed officials as well as further earnings reports to drive equities. We also have Chinese inflation and PMIs as well as consumer and producer prices. In Europe, Germany will release factory orders and industrial production, while the Euro-area will provide their January retail sales update. Finally, Stats NZ will be providing a local employment update.



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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	0.8158	0.8768
NZD/USD	0.6066	0.0000	-0.0001	-0.0004	-0.0015	CHF	0.5248	0.5643
NZD/AUD	0.9315	-0.0009	-0.0027	-0.0054	-0.0088	CNY	4.3654	4.6783
NZD/JPY	90.00	-0.41	-1.26	-2.52	-4.75	DKK	4.1842	4.4930
NZD/EUR	0.5622	-0.0007	-0.0022	-0.0048	-0.0105	FJD	1.3421	1.4412
NZD/GBP	0.4802	-0.0001	-0.0003	-0.0008	-0.0016	HKD	4.7370	5.0866
						KRW	810.28	870.08
AU TWI	61.40					MYR	2.8559	3.0666
AUD/USD	0.6504	0.0006	0.0018	0.0032	0.0048	NOK	6.4186	6.8923
AUD/NZD	1.0731	0.0009	0.0030	0.0055	0.0095	SEK	6.3456	6.8139
AUD/JPY	96.63	-0.35	-1.10	-2.17	-4.25	SGD	0.8128	0.8728
AUD/EUR	0.6029	-0.0002	-0.0006	-0.0017	-0.0057	TWD	19.00	20.41
AUD/GBP	0.5148	0.0004	0.0011	0.0021	0.0031	ZAR	11.45	12.29
USD Index	103.96					EQUITIES		
EUR/USD	1.0784	0.0013	0.0041	0.0083	0.0175		Index	
USD/JPY	148.37	-0.66	-2.08	-4.01	-7.46	NZX50	11,931	
GBP/USD	1.2630	0.0002	0.0006	0.0008	0.0007	ASX200	7,699	
EUR/GBP	0.8537	0.0008	0.0027	0.0058	0.0131	Dow Jones	38,654	
						S&P 500	4,959	
INTEREST RATES			New Zealand		Australia	FTSE100	7,616	
			Mid		Mid	DAX 30	16,918	
30 day bank bills			5.59%		4.35%	Nikkei	36,158	
90 day bank bills			5.67%		4.37%	COMMODITIES		
1 year swap			5.33%		4.16%		USD	
2 year swap			4.74%		3.92%	Brent Crude	77.33	
3 year swap			4.44%		3.83%	Gold	2,038.59	
5 year swap			4.24%		4.05%	Silver	22.67	
10 year swap			4.35%		4.35%	Iron Ore	128.63	
3 year Govt bond			4.54%		3.57%	CRB Index	307.45	
5 year Govt bond			4.41%		3.65%		NZD	
10 year Govt bond			4.61%		4.06%	NZ Carbon	73.25	

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