

# Market Alert

Friday 01 March 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6083	-0.0003
NZD/AUD	0.9362	-0.0052
NZD/JPY	91.21	-2.55
NZD/EUR	0.5631	-0.0047
NZD/GBP	0.4821	-0.0008
NZD/CNH	4.3850	-0.0572
AUD/USD	0.6498	0.0032
AUD/EUR	0.6013	-0.0017
EUR/USD	1.0803	0.0082
USD/CNH	7.2065	-0.0901
GBP/USD	1.2617	0.0009
EUR/GBP	0.8561	0.0056

  

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.68%	4.39%
2 year swap	4.97%	3.99%
10 year Govt	4.79%	4.22%

## Jerome Powell ... job done!

Overnight the Feds key PCE deflator measure of inflation printed bang-in-line with expectations ... which was a bonus as the word on the street was that it would surprise to the top side! With the headline number printing at 0.3% on the month and 2.4% on the year, and the core at 0.4% and 2.8%, the increase in the core was the smallest rise since March 2021. Fed Chair Jerome Powell can now put his feet up and smoke that big fat cigar ... because there is now nothing for him to do for the next few months! And the good news did not stop there ... initial claims increased by a modest 13k to 215k, with continuing claims nudging 45k higher to 1,905k, while Chicago PMIs unexpectedly fell to 44, pending home sales fell -4.9%, while personal spending increased 0.2% in January to show a

significant slowdown from December's 0.7%. Simply put, everything is moving in the right direction!

We also had a gaggle of Fed speakers out with Raphael Bostic announcing that while, *"The last few inflation readings have shown it is going to be a bumpy path to get back to 2.0%, over the long arc inflation is coming down. It will probably be appropriate to reduce policy rates in the summer."* Mary Daly then added, *"We have policy in a good place, and we can cut if need be. We want to avoid holding rates all the way to 2.0% inflation. The risks of persistent inflation or an economic downturn are even,"* while Austan Goolsbee added, *"We've had very substantial progress over a long-term basis on inflation."* Take another puff Mr Powell!

## Yen up, production down.

The yen spiked yesterday after BoJ board member, Hajime Takata, suggested the bank should start discussing details for a possible exit from its ultra-loose monetary policies, including an exit from negative interest rates and bond yield control, stating *"It's necessary to consider taking a nimble and flexible response, including on how to exit, or shift gear, from the current extremely accommodative monetary policy settings,"* while Japan's top currency diplomat, Masato Kanda, confirmed the government is watching the yen's moves *"with a strong sense of urgency."* Unfortunately, the economy may not be in such a strong position to support a move in interest rate after industrial production declined -7.5%

on the month and -1.5% on the year, although retail sales were a touch firmer at 2.3% following this week 2.0% inflation print.

There was also good news from the world's third largest economy, Germany, after inflation dropped to 2.5% in February, which was below forecasts at 2.6% and last month's 2.9%, while Canadian GDP expanded at an annualized 1.0% in Q4 after Q3's -0.5% contraction. Australian retail sales were also up 1.1% in January, which was below expectations at 1.5%, while private capital spending firmed 0.8% on the quarter with firms lifting their spending plans for FY 2024. In NZ, the business outlook fell to 34.7 in February, although this was not unexpected given it was previously sitting at a 9-year high at 36.6.

Despite the Yen's strength, the USD-index had a positive session breaking back above the 104.00 level, while the NZD and AUD 'tread-water', as did equity markets. Bond yields were broadly lower as optimism built ahead of potential northern hemisphere cutting cycles, which saw the US 2 and 10-year yields ease back -2bps and -4bps to 4.62% and 4.24% respectively. Commodity markets were broadly higher, although oil and gas prices slipped back a touch.



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Friday 01 March 2024

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.50					CAD	0.8258	0.8821
NZD/USD	0.6085	0.0000	0.0000	-0.0003	-0.0012	CHF	0.5376	0.5742
NZD/AUD	0.9364	-0.0009	-0.0026	-0.0052	-0.0094	CNY	4.3737	4.6706
NZD/JPY	91.23	-0.44	-1.29	-2.55	-4.85	DKK	4.1961	4.4823
NZD/EUR	0.5632	-0.0007	-0.0021	-0.0047	-0.0102	FJD	1.3664	1.4596
NZD/GBP	0.4823	-0.0001	-0.0003	-0.0008	-0.0019	HKD	4.7621	5.0870
						KRW	812.39	867.81
AU TWI	61.10					MYR	2.8846	3.0814
AUD/USD	0.6498	0.0006	0.0018	0.0032	0.0052	NOK	6.4573	6.8978
AUD/NZD	1.0677	0.0010	0.0029	0.0056	0.0100	SEK	6.3104	6.7410
AUD/JPY	97.41	-0.38	-1.11	-2.20	-4.27	SGD	0.8185	0.8744
AUD/EUR	0.6013	-0.0002	-0.0006	-0.0017	-0.0050	TWD	19.23	20.54
AUD/GBP	0.5149	0.0004	0.0011	0.0020	0.0032	ZAR	11.67	12.47
USD Index	104.13					<b>EQUITIES</b>		
EUR/USD	1.0803	0.0013	0.0040	0.0082	0.0175		<b>Index</b>	
USD/JPY	149.90	-0.73	-2.12	-4.12	-7.71	NZX50	11,741	
GBP/USD	1.2617	0.0002	0.0006	0.0009	0.0015	ASX200	7,699	
EUR/GBP	0.8561	0.0009	0.0027	0.0056	0.0122	Dow Jones	38,925	
						S&P 500	5,086	
<b>INTEREST RATES</b>			<b>New Zealand</b>		<b>Australia</b>	FTSE100	7,630	
			<b>Mid</b>		<b>Mid</b>	DAX 30	17,678	
30 day bank bills			5.59%		4.35%	Nikkei	39,166	
90 day bank bills			5.64%		4.39%	<b>COMMODITIES</b>		
1 year swap			5.50%		4.21%		<b>USD</b>	
2 year swap			4.98%		4.01%	Brent Crude	83.71	
3 year swap			4.68%		3.91%	Gold	2,045.09	
5 year swap			4.47%		4.11%	Silver	22.69	
10 year swap			4.54%		4.38%	Iron Ore	125.36	
3 year Govt bond			4.74%		3.72%	CRB Index	317.30	
5 year Govt bond			4.61%		3.82%		<b>NZD</b>	
10 year Govt bond			4.79%		4.22%	NZ Carbon	66.75	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



**BANCORP**  
BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**  
BANCORP CORPORATE FINANCE LIMITED