

Market Alert

Friday 21 June 2024

CURRENCIES	Spot	6mths
NZD/USD	0.6120	-0.0002
NZD/AUD	0.9191	-0.0046
NZD/JPY	97.250	-2.63
NZD/EUR	0.5716	-0.0053
NZD/GBP	0.4831	-0.0008
NZD/CNH	4.4633	-0.0620
AUD/USD	0.6655	0.0030
AUD/EUR	0.6216	-0.0028
EUR/USD	1.0702	0.0094
USD/CNH	7.2908	-0.1001
GBP/USD	1.2660	0.0016
EUR/GBP	0.8451	0.0062

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.65%	4.43%
2 year swap	4.93%	4.18%
10 year Govt	4.67%	4.29%

It ain't coming home ...

Football is definitely not coming home judging by the England performance this morning. That's 2-hours of sleep that I'll never get back, but it did remind me of a certain saying ... "Four more years!" Too soon?

Wake me up before you go go!

This month's highlight for New Zealand markets was yesterday's Q1 GDP print, but like a new Wham record, it was all hype ahead of the release, but a bit of a damp squid afterwards! The good news is that officially, New Zealand is not in a recession anymore, but whatever positivity this generated, it was tempered by the fact the local data releases have weakened considerably in Q2. The headline printed at 0.2% for

the quarter, and at 0.3% for the year, but despite the headline increase, details below the surface were mixed with only 8 out of 16 industry sectors expanding. Furthermore, the surge in immigration meant per capita GDP declined -0.3% in Q1, and -2.4% on the year, meaning that per capita GDP has now fallen for 6-consecutive quarters. Put another way, while the overall pie is getting bigger, each individual's share has been getting incrementally smaller over the past 18 months.

Despite UK inflation reaching the central banks 2.0% target for the first time in 3-years, the BoE left their key cash rate unchanged at 5.25%. The vote to hold rates was 7-2 with the statement was more dovish than many anticipated with some policymakers noting the decision not to cut was "finely balanced," although the statement noted the Bank didn't change its forward guidance signalling that rates need to stay restrictive for an "extended period." Ultimately, rate cuts are coming, but later in the year with the markets currently pricing in a 50% chance of a cut in August.

It was a different story in Switzerland though after the Swiss National Bank, the SNB, reduced its key interest rate by 25bps to 1.25%, following on from their March cut. The rate cut caught the market off guard, which saw the Swiss franc fall sharply, although officials sought to provide comfort announcing they remain prepared to intervene if required.

Finally, the Norwegian central bank, the Norges Bank, left their interest rate settings unchanged at 4.50% for a 4th consecutive meeting following on from their hike last December. The central bank will likely maintain their borrowing costs as they are for the rest of the year as the statement emphasized that monetary policy is sufficiently restrictive to ensure inflation returns to its target within a "reasonable time horizon."

Looking at the rest of the data, US initial claims fell -5k to 238k although continuing claims increased by 15k to 1,828k. US housing starts fell to their lowest level since July 2020 dropping -5.5% to 1.27 million, while the prior print was also revised lower! To further cement in the pessimistic headlines, building permits also fell to their lowest level since mid-2020 falling -3.8%.

Summing it all up!

In terms of market moves, there wasn't a great deal to report European equity markets were predominately positive although the US exchanges were mixed with the S&P and NASDAQ both lower. Commodity prices were a touch higher after oil prices rose to a 7-week high, the USD-index posted a modest gain, and is now trading above the 105.50 level, which saw the NZD and AUD post modest gains, while USD/JPY is trading at 159.00! US bond markets also re-opened after their mid-week break, with the 2 and 10-year yields 2bps higher at 4.74% and 4.26%.



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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	72.40					CAD	0.8375 0.9150
NZD/USD	0.6122	0.0000	0.0000	-0.0002	-0.0008	CHF	0.5452 0.5932
NZD/AUD	0.9197	-0.0008	-0.0024	-0.0046	-0.0074	CNY	4.4441 4.8325
NZD/JPY	97.290	-0.45	-1.35	-2.63	-5.01	DKK	4.2641 4.6369
NZD/EUR	0.5719	-0.0008	-0.0025	-0.0053	-0.0107	FJD	1.3519 1.4701
NZD/GBP	0.4834	-0.0001	-0.0003	-0.0008	-0.0018	HKD	4.7767 5.1942
						KRW	851.46 925.90
AU TWI	63.50					MYR	2.8813 3.1332
AUD/USD	0.6655	0.0006	0.0016	0.0030	0.0043	NOK	6.4542 7.0184
AUD/NZD	1.0869	0.0009	0.0027	0.0050	0.0079	SEK	6.4247 6.9864
AUD/JPY	105.57	-0.40	-1.20	-2.39	-4.67	SGD	0.8286 0.9010
AUD/EUR	0.6216	-0.0004	-0.0012	-0.0028	-0.0069	TWD	19.80 21.53
AUD/GBP	0.5254	0.0004	0.0010	0.0015	0.0021	ZAR	11.00 11.96
USD Index	105.63					EQUITIES	
EUR/USD	1.0702	0.0015	0.0047	0.0094	0.0188		Index
USD/JPY	158.91	-0.73	-2.20	-4.26	-7.99	NZX50	11,772
GBP/USD	1.2660	0.0002	0.0008	0.0016	0.0026	ASX200	7,769
EUR/GBP	0.8451	0.0010	0.0031	0.0062	0.0127	Dow Jones	39,135
						S&P 500	5,473
INTEREST RATES			New Zealand		Australia	FTSE100	8,272
			Mid		Mid	DAX 30	18,254
30 day bank bills			5.60%		4.35%	Nikkei	38,633
90 day bank bills			5.61%		4.43%	COMMODITIES	
1 year swap			5.39%		4.35%		USD
2 year swap			4.95%		4.19%	Brent Crude	85.82
3 year swap			4.66%		4.10%	Gold	2,358.65
5 year swap			4.42%		4.23%	Silver	30.70
10 year swap			4.45%		4.41%	Iron Ore	107.11
3 year Govt bond			4.63%		3.95%	CRB Index	346.17
5 year Govt bond			4.51%		3.99%		NZD
10 year Govt bond			4.67%		4.27%	NZ Carbon	48.50

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