

Market Alert

Wednesday 14 January 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5562	0.0020
NZD/AUD	0.9029	0.0024
NZD/JPY	87.585	-1.49
NZD/EUR	0.5444	-0.0031
NZD/GBP	0.4567	0.0021
NZD/CNH	4.0892	-0.0195
AUD/USD	0.6158	0.0005
AUD/EUR	0.6028	-0.0051
EUR/USD	1.0215	0.0094
USD/CNH	7.3520	-0.0610
GBP/USD	1.2176	-0.0013
EUR/GBP	0.8386	0.0085

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.12%	4.39%
2 year swap	3.43%	3.99%
10 year Govt	4.74%	4.74%

So there I was ...

... popping out of the office to run an errand. Now I must admit, I was looking good, I was suited and booted, clean shaven, with nice hair. Upon reaching the street, I immediately wandered past a 7ft giant who was filming on his phone, who immediately shouted out, "Look ... it's Mr. Smith!" Now I can only assume he was referring to Mr. Smith from the Matrix, and while I can relate to the ability of possessing superhuman attributes, manifesting my physical form, and terminating human simulacra (thank you Wikipedia), I must point out 2 discrepancies ... 1) I wasn't wearing my sunglasses (although they would have added to the image) and 2) the hair! It's true, I used to have a splendid quiff, just like Mr. Smith, alas, those days are long gone!

Back to reality!

The US 1-year inflation expectations survey for the year ahead remain unchanged at 3.0%, although expectations further out were mixed with the 3-years increasing from 2.6% to 3.0% while the 5-year expectation declined from 2.9% to 2.7%.

Yesterday saw the PBoC and SAFE (the State Administration of Foreign Exchange) raise the macro-prudential parameters for Chinese companies to manage cross-border financing from 1.50 to 1.75. This will enable enterprises and financial institutions to secure more funding from abroad which, when converted back to Yuan, should increase foreign currency inflows potentially stabilizing or strengthening the Yuan. Of course that works the opposite way when it comes to repaying those loans, but that's tomorrow's issue ... today it's all about supporting the Yuan given it's above 7.3500 against the USD!

Later in the session, PBoC Governor, Pan Gongsheng, added, "China will remain a driving force for the global economy. Interest rate and RRR tools will be utilized to maintain ample liquidity, while China plans to increase its fiscal deficit. Policy focus is shifting towards investment and consumption (although) challenges persist in economic development. Emphasis will be placed on boosting residents' consumption demand while the real estate market is reaching a new equilibrium."

The Chinese December trade numbers, in USD terms, saw exports increase 10.7% on the year, while imports increased 1.0%.

Finnish ECB Member, Olli Rehn, announced, "A negotiated solution on tariffs is better than a trade war. Inflation is moving in the right direction, and disinflation is back on track, The December uptick was expected, and I'm quite confident that inflation will stabilise at 2.0%."

According to Deloitte, the largest UK companies plan to cut hiring at its fastest pace since pandemic.

New Zealand building approvals surged 5.3% in November following October's 5.2% decline while consumer spending growth fell to its lowest level in 5-years rising a modest 0.8% with the average transaction size falling to 0.6% to NZD50.35 ... basically the cost of 2 coffees and 2 croissants in Auckland!

Summing it all up ...

... the grind higher in global yields continued with the 10-year Treasury now closing in on the 4.80% level. In Europe, the benchmark 10-year Bund yield climbed above the 2.6%, marking its 10th consecutive increase, while the 10-year gilt gained 5bps to be at 4.89%.

The USD-index broke through resistance at the 109.15 level to be at 109.88, although most of the 'pain' was felt by the EUR, GBP and JPY, with the NZD flatlining while the AUD actually firmed.

Equity markets were broadly 0.5% to 1.0% lower, although the Dow bucked the trend to be 0.5% higher ahead of the US reporting season, while crude surged 3.3%, with Brent gaining a more modest 1.8%, as the recent US and UK sanctions on Russia's energy sector raised concerns about supply disruptions.



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Daily Rates

Tuesday 14 January 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.40					CAD	0.8012	0.8873
NZD/USD	0.5562	0.0001	0.0007	0.0020	0.0053	CHF	0.5106	0.5656
NZD/AUD	0.9029	0.0001	0.0008	0.0024	0.0061	CNY	4.0696	4.5088
NZD/JPY	87.585	-0.34	-0.82	-1.49	-2.67	DKK	4.0609	4.4969
NZD/EUR	0.5444	-0.0007	-0.0016	-0.0031	-0.0057	FJD	1.2796	1.4169
NZD/GBP	0.4567	0.0002	0.0008	0.0021	0.0051	HKD	4.3297	4.7946
						KRW	816.30	903.94
AU TWI	59.40					MYR	2.5069	2.7760
AUD/USD	0.6158	0.0000	0.0002	0.0005	0.0013	NOK	6.3689	7.0526
AUD/NZD	1.1073	-0.0002	-0.0011	-0.0034	-0.0091	SEK	6.2721	6.9455
AUD/JPY	96.99	-0.39	-0.99	-1.92	-3.65	SGD	0.7625	0.8444
AUD/EUR	0.6028	-0.0008	-0.0023	-0.0051	-0.0106	TWD	18.39	20.37
AUD/GBP	0.5055	0.0001	0.0004	0.0009	0.0019	ZAR	10.59	11.73
USD Index	109.82					EQUITIES		
EUR/USD	1.0215	0.0014	0.0043	0.0094	0.0203		Index	
USD/JPY	157.48	-0.63	-1.65	-3.23	-6.24	NZX50	12,827	
GBP/USD	1.2176	-0.0003	-0.0007	-0.0013	-0.0023	ASX200	8,192	
EUR/GBP	0.8386	0.0014	0.0039	0.0085	0.0181	Dow Jones	42,208	
USD/CNY	7.3319	-0.0175	-0.0503	-0.1060	-0.2295	S&P 500	5,816	
						FTSE100	8,224	
INTEREST		New Zealand		Australia		DAX 30	20,133	
RATES		Mid		Mid		Nikkei	39,190	
30 day bank bills		4.37%		4.37%		COMMODITIES		
90 day bank bills		4.12%		4.39%			USD	
1 year swap		3.57%		4.09%		Brent Crude	81.04	
2 year swap		3.47%		4.00%		Gold	2,659.23	
3 year swap		3.51%		4.02%		Silver	29.63	
5 year swap		3.70%		4.30%		Iron Ore	98.09	
10 year swap		4.15%		4.60%		CRB Index	368.36	
3 year Govt bond		3.76%		4.09%			NZD	
5 year Govt bond		4.07%		4.27%		NZ Carbon	63.75	
10 year Govt bond		4.74%		4.74%				

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