

Market Alert

Wednesday 18 January 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6422	0.0000
NZD/AUD	0.9197	-0.0065
NZD/JPY	82.48	-2.07
NZD/EUR	0.5948	-0.0066
NZD/GBP	0.5236	-0.0021
NZD/CNH	4.3495	-0.0500
AUD/USD	0.6982	0.0049
AUD/EUR	0.6467	-0.0028
EUR/USD	1.0794	0.0119
USD/CNH	6.7717	-0.0775
GBP/USD	1.2262	0.0043
EUR/GBP	0.8801	0.0062

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.85%	3.37%
2 year swap	4.97%	3.69%
10 year Govt	4.14%	3.71%

The Chinese re-awakening!

Yesterday, the focus was firmly on China after a smorgasbord of economic releases ... which were broadly positive. GDP proved more resilient than expected growing 2.9% in Q4 and 3.0% in 2022, beating forecasts at 1.8% but well below the government's target at 5.5%. Retail trade eased 1.8% on the year, although it was better than market expectations of a -8.6% fall. Industrial production expanded 1.3% in what was the weakest growth in production since May. Trade with the US is also on track to break records reaching an all-time full year high at USD760 billion.

These 'better-than-expected' results saw various forecasters raise their expectations for the Chinese economy with ING upgrading its GDP forecast to 5.0% as "With the stronger end to 2022, plus indications of stronger retail expenditure ahead, the outlook for GDP growth in 2023 has improved compared to our prior outlook." Fitch Ratings stated, "The end of its zero-COVID policy is a net positive for Chinese construction firms," while Moody's added, "China's economy will strengthen in 2023 and 2024, with the cyclical pickup likely to be better than Moody's expected last year."

In Europe, ECB chief economist, Philip Lane, in an interview with the FT, announced, "Compared to December, there have been big declines in energy prices. This is why we must not be so confident about where rates need to go. Interest rates do have to be higher than they are now although where we exactly end up will depend on a lot of factors." We also had the release of the German ZEW economic sentiment indicator, which rose sharply by 40.2 points to +16.9, to return to positive territory for the first time since February and above market expectations at -15.0.

BoE Governor Andrew Bailey spoke at a Parliamentary committee warning the 3 top dangers facing the UK economy are, "China's sudden lifting of Covid restrictions, the continuing fallout of the war in Ukraine, and a shrinking of Britain's labour force." This showed up in the data after UK wages grew at a near-record pace of

6.4% in Q4, although pay fell 2.6% in real terms, while the unemployment held at 3.7%, but, against this, after Brexit, Covid, the Ukraine invasion, and the Boris Johnson and Liz Truss governments, UK equity markets are a mere 0.55% from their all-time highs!

The Davos corner ...

With the 'rent-a-quote' crowd at Davos stepping up, BlackRock's Larry Fink announced, "The narrative around ESG investing has become ugly and is creating huge polarization," Jefferies slashed its Tesla share target to USD180 from USD350 on earnings and sales growth concerns, Credit Suisse announced its joining Goldmans with mass redundancies while remaining employees should brace themselves for bonus cuts after a "horrifying year," and, finally, UBS is advising clients to go long on China.

Today we have the BoJ meeting with forecasters split as to whether they will amend their YCC today or at their March meeting. Whatever happens, it will be a wild session for the JPY! Last night was pretty quiet with equity and commodity markets closing slightly higher. The 10-year T-bond yield also firmed a couple of pips to 3.52%, while the 'risk' currencies also made modest gains. Last night's GDT auction was also mildly positive after the index eased back a modest -0.1% with WMP up 0.1%, SMP -0.3% and butter off -0.6%.



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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	71.50					CAD	0.8603	0.9352
NZD/USD	0.6422	0.0003	0.0004	0.0000	-0.0002	CHF	0.5924	0.6441
NZD/AUD	0.9197	-0.0008	-0.0027	-0.0065	-0.0129	CNY	4.3483	4.7242
NZD/JPY	82.48	-0.32	-0.97	-2.07	-4.31	DKK	4.4243	4.8101
NZD/EUR	0.5948	-0.0011	-0.0032	-0.0066	-0.0136	FJD	1.3757	1.4959
NZD/GBP	0.5236	-0.0002	-0.0008	-0.0021	-0.0049	HKD	5.0203	5.4589
						KRW	794.05	863.42
AU TWI	61.90					MYR	2.7775	3.0201
AUD/USD	0.6813	0.0009	0.0025	0.0049	0.0077	NOK	6.3419	6.8956
AUD/NZD	0.6535	0.0008	0.0031	0.0074	0.0143	SEK	6.6847	7.2686
AUD/JPY	89.67	-0.28	-0.79	-1.64	-3.50	SGD	0.8480	0.9220
AUD/EUR	0.6467	-0.0006	-0.0016	-0.0028	-0.0060	TWD	19.42	21.12
AUD/GBP	0.5692	0.0003	0.0008	0.0017	0.0025	ZAR	10.96	11.91
USD Index	102.40					EQUITIES		
EUR/USD	1.0794	0.0024	0.0063	0.0119	0.0219		Index	
USD/JPY	128.40	-0.56	-1.59	-3.24	-6.44	NZX50	11,881	
GBP/USD	1.2262	0.0009	0.0024	0.0043	0.0081	ASX200	7,386	
EUR/GBP	0.8801	0.0012	0.0033	0.0062	0.0117	Dow Jones	33,998	
						S&P 500	3,999	
INTEREST RATES			New Zealand		Australia	FTSE100	7,851	
			Mid		Mid	DAX 30	15,187	
30 day bank bills			4.37%		3.13%	Nikkei	26,139	
90 day bank bills			4.85%		3.37%	COMMODITIES		
1 year swap			5.36%		3.71%		USD	
2 year swap			4.97%		3.69%	Brent Crude	85.38	
3 year swap			4.64%		3.62%	Gold	1,905.01	
5 year swap			4.32%		3.65%	Silver	23.88	
10 year swap			4.26%		3.98%	Iron Ore	122.33	
3 year Govt bond			4.46%		3.24%	CRB Index	299.86	
5 year Govt bond			4.18%		3.36%		NZD	
10 year Govt bond			4.14%		3.71%	NZ Carbon	73.75	

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