

Market Alert

Friday 27 January 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6481	0.0000
NZD/AUD	0.9121	-0.0061
NZD/JPY	84.43	-2.15
NZD/EUR	0.5956	-0.0062
NZD/GBP	0.5225	-0.0019
NZD/CNH	4.3842	-0.0487
AUD/USD	0.7107	0.0047
AUD/EUR	0.6528	-0.0026
EUR/USD	1.0883	0.0112
USD/CNH	6.7366	-0.0752
GBP/USD	1.2399	0.0044
EUR/GBP	0.8775	0.0058

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.88%	3.31%
2 year swap	4.82%	3.66%
10 year Govt	4.09%	3.57%

Wah-heh ... it's a bank holiday on Monday!

So, get your raincoat ready!

It's been a minute since we had a bank holiday in Auckland. I can't wait for the long weekend; I'm even spending this evening with my old buddy Elton John!

In amongst the usual, US Q4 GDP performed better than expected slowing to an annualized 2.9% from 3.2%, against expectations of 2.6% but, consumer spending slipped to 2.1% from 2.3%. This slowing creates huge connotations given consumer spending makes up more than 70% of US GDP. US durable goods orders soared to 5.6%, its largest gain in 3-years, although the gains were predominately

due to new orders for Boeing planes while business investment was weaker in another sign of a corroding US economy. If transportation was set aside, new orders actually fell -0.1%! Initial jobless claims unexpectedly fell to 186,000 from a revised 192,000 while the merchandise-trade deficit also widened in December to USD90.3 billion.

S&P is forecasting 2023 global GDP to be at 1.9% forecasting "an acceleration in mainland China and sustained moderate growth in the emerging markets (generating) global growth of 3.0% in both 2024 and 2025." They are also projecting global inflation will fall to "4.5% by June this year, and to 3.6% in December 2023," although the US will fall into a "recession in the first two quarters of 2023 led by an inventory drawdown and declines in residential investment, commercial construction, and consumer spending on goods. Several forces will limit the severity of the recession – household finances are in good shape, automotive production will increase as microprocessor supplies recover, and dollar depreciation will support net exports."

ECB President Christine Lagarde emphasised the central bank will "stay the course" when referring to upcoming rate decisions.

The Head of Markets at one of Japan's major banks announced, "I think the BoJ could launch an exit strategy as soon as the first half of the next fiscal year under the new leadership. We are getting a lot of inquiries about yen interest-rate derivatives, which haven't moved much until recently.

We need to respond to moves to prepare for a possible paradigm shift from long years of a negative-rate environment." This partly explains why Goldmans has "revised our USD/JPY forecast path to 132, 125, 125 in 3m, 6m, 12m's time."

Natixis Bank expect the easing of Covid travel restrictions will accelerate a financial exodus of 'at least' USD150 billion from wealthy Chinese who will plough cash into property and assets abroad.

UK business confidence sank to its lowest level since the GFC at -23.4, down from -16.9 in November. Meanwhile, annual car production in the UK fell to the lowest in more than six decades in 2022 while exports of cars made in China have tripled since 2020 to over 2.5million last year.

Elon Musk is looking to raise up to USD3 billion to repay some of the USD13 billion of debt he racked up acquiring Twitter.

Financial markets were remarkably stable overnight despite the Q4 GDP release. International bourses made modest gains, oil was up 1.50% and copper consolidating at a 7-month high. The NZD/USAD and AUD/USD were flat, although the EUR/USD eased back below 1.0900, while the T-bond rallied 2bps to 3.46%.



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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	72.20					CAD	0.8644	0.9480
NZD/USD	0.6481	0.0002	0.0003	0.0000	0.0001	CHF	0.5966	0.6542
NZD/AUD	0.9121	-0.0007	-0.0027	-0.0061	-0.0118	CNY	4.3717	4.7147
NZD/JPY	84.43	-0.29	-0.98	-2.15	-4.38	DKK	4.4279	4.8556
NZD/EUR	0.5956	-0.0009	-0.0030	-0.0062	-0.0123	FJD	1.3783	1.5115
NZD/GBP	0.5225	-0.0001	-0.0008	-0.0019	-0.0044	HKD	5.0741	5.5642
						KRW	799.06	876.24
AU TWI	63.00					MYR	2.7499	3.0155
AUD/USD	0.6813	0.0008	0.0024	0.0047	0.0079	NOK	6.3978	7.0158
AUD/NZD	0.6535	0.0008	0.0031	0.0070	0.0135	SEK	6.6599	7.3032
AUD/JPY	92.55	-0.25	-0.81	-1.77	-3.70	SGD	0.8503	0.9324
AUD/EUR	0.6528	-0.0005	-0.0014	-0.0026	-0.0053	TWD	19.58	21.47
AUD/GBP	0.5730	0.0003	0.0008	0.0017	0.0024	ZAR	11.14	12.21
USD Index	101.86					EQUITIES		
EUR/USD	1.0883	0.0021	0.0059	0.0112	0.0204		Index	
USD/JPY	130.20	-0.50	-1.58	-3.30	-6.60	NZX50	12,023	
GBP/USD	1.2399	0.0008	0.0022	0.0044	0.0077	ASX200	7,468	
EUR/GBP	0.8775	0.0011	0.0031	0.0058	0.0106	Dow Jones	33,812	
						S&P 500	4,044	
INTEREST RATES		New Zealand		Australia		FTSE100	7,761	
		Mid		Mid		DAX 30	15,133	
30 day bank bills		4.51%		3.18%		Nikkei	27,363	
90 day bank bills		4.88%		3.31%		COMMODITIES		
1 year swap		5.24%		3.70%			USD	
2 year swap		4.82%		3.66%		Brent Crude	87.61	
3 year swap		4.45%		3.60%		Gold	1,930.11	
5 year swap		4.19%		3.57%		Silver	23.89	
10 year swap		4.16%		3.88%		Iron Ore	121.93	
3 year Govt bond		4.31%		3.14%		CRB Index	302.02	
5 year Govt bond		4.03%		3.24%			NZD	
10 year Govt bond		4.09%		3.57%		NZ Carbon	72.50	

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