

Market Alert

Wednesday 1 February 2023

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6469 | -0.0003 |
| NZD/AUD | 0.9163 | -0.0064 |
| NZD/JPY | 84.18 | -2.16 |
| NZD/EUR | 0.5949 | -0.0063 |
| NZD/GBP | 0.5244 | -0.0021 |
| NZD/CNH | 4.3686 | -0.0513 |
| AUD/USD | 0.7058 | 0.0046 |
| AUD/EUR | 0.6491 | -0.0025 |
| EUR/USD | 1.0872 | 0.0109 |
| USD/CNH | 6.7535 | -0.0767 |
| GBP/USD | 1.2330 | 0.0042 |
| EUR/GBP | 0.8813 | 0.0054 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 4.25% | 3.10% |
| 90 day bills | 4.95% | 3.42% |
| 2 year swap | 4.99% | 3.66% |
| 10 year Govt | 4.21% | 3.64% |

Growing signs of resilience

The Eurozone narrowly avoided a recession in Q4 22 as the economy grew by 0.1% as the mild weather and government support helped the region offset energy price rises triggered by the Ukrainian war. Markets had expected a -0.1% decrease. Against this, German retail sales plummeted -5.3% in January, while the December number were also revised lower.

In the US, labour costs continue to rise, but at a slower pace for the 3rd consecutive quarter as compensation costs increased 1.0% in Q4, slightly lower than the forecast 1.1%. Wages and salaries rose 1.0% and benefit costs went up 0.8%. It was a similar story with house prices after the S&P CoreLogic

Case-Shiller 20-city price index rose 6.8% in-the-year to November, which was below December's upwardly revised 8.7% increase. But the news wasn't all good after Chicago PMI's fell to 44.3 from December's 44.9 while consumer confidence decreased in January to 107.1 following December's upwardly revised 109.0.

Better late than never, the IMF has upgraded its global growth projections by 0.2% to 2.9% for 2023 as a topping out of inflation will support future growth. For the advanced economies, the slowdown will be more pronounced with a decline from 2.7% in 2022 to 1.2% in 2023 and 1.4% in 2024 with 9 out of 10 advanced economies likely to decelerate, and while China and India will be the main 'growth engines' the IMF's chief economist warned, "China's property sector will not be an engine of growth until there is some 'cleaning up' of the sector." Meanwhile, Chinese state media has announced state banks are offering cheap loans to spur consumption... what could go wrong with that? On a positive note, Chinese official manufacturing PMIs reached 50.1 against an expected 49.8, while services PMI surged to 54.4 when 52.0 had been expected.

Australian December retail sales plummeted -3.9% against an expected -0.3% as, "The large fall in December suggests that retail spending is slowing due to high cost-of-living pressures." Apart from the pandemic and the introduction of sales tax, December's sales numbers were the worst ever. In a further kicker

to confidence, Australia's housing market followed its downward trajectory with prices now down -8.9% from its April 2022 peak while in the median price in Sydney dropped below AUD1 million for the first time in almost 3-years. Finally, private sector credit grew 0.3% in December against an expected 0.5%.

Positive US earnings and growing signs of resilience saw US equity markets close in positive territory, although European bourses were mixed. Commodity markets flat-lined, as did the NZD, AUD, and EUR as the USD-index treads water ahead of tomorrow's FOMC meeting. The T-bond eased 2bps to 2.52%.

Would you like chicken wings with that?

The Biden administration is considering entirely cutting off Chinese telecommunications giant Huawei Technologies Co. from US suppliers over national security concerns.

While most of the upper reaches of the north island is under water, NZ PM Chris Hipkins has announced a reshuffle of Cabinet. Some people moved up, some moved down, but Finance Minister Grant Robertson will retain his portfolio.

I've now heard it all ... while McDonald's announced increased profits as inflation-weary customers 'flocked' to their restaurants, a former US school official has been accused of embezzling USD1.5 million worth of chicken wings!



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Daily Rates

Wednesday 1 February 2023

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-----------|--------|------------|---------|---------|---------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 72.10 | | | | | CAD | 0.8604 | 0.9388 |
| NZD/USD | 0.6469 | 0.0002 | 0.0002 | -0.0003 | -0.0004 | CHF | 0.5922 | 0.6464 |
| NZD/AUD | 0.9163 | -0.0008 | -0.0029 | -0.0064 | -0.0130 | CNY | 4.3688 | 4.7587 |
| NZD/JPY | 84.18 | -0.30 | -1.02 | -2.16 | -4.50 | DKK | 4.4258 | 4.8287 |
| NZD/EUR | 0.5949 | -0.0009 | -0.0031 | -0.0063 | -0.0125 | FJD | 1.3852 | 1.5113 |
| NZD/GBP | 0.5244 | -0.0002 | -0.0009 | -0.0021 | -0.0051 | HKD | 5.0709 | 5.5326 |
| | | | | | | KRW | 796.99 | 869.55 |
| AU TWI | 62.40 | | | | | MYR | 2.7577 | 3.0088 |
| AUD/USD | 0.6813 | 0.0008 | 0.0024 | 0.0046 | 0.0078 | NOK | 6.4657 | 7.0544 |
| AUD/NZD | 0.6535 | 0.0008 | 0.0033 | 0.0073 | 0.0144 | SEK | 6.7644 | 7.3803 |
| AUD/JPY | 91.84 | -0.25 | -0.83 | -1.74 | -3.67 | SGD | 0.8498 | 0.9271 |
| AUD/EUR | 0.6491 | -0.0005 | -0.0015 | -0.0025 | -0.0050 | TWD | 19.41 | 21.18 |
| AUD/GBP | 0.5721 | 0.0003 | 0.0008 | 0.0015 | 0.0023 | ZAR | 11.28 | 12.30 |
| USD Index | 102.04 | | | | | EQUITIES | | |
| EUR/USD | 1.0872 | 0.0020 | 0.0059 | 0.0109 | 0.0198 | | Index | |
| USD/JPY | 130.13 | -0.49 | -1.60 | -3.29 | -6.58 | NZX50 | 11,968 | |
| GBP/USD | 1.2330 | 0.0007 | 0.0022 | 0.0042 | 0.0081 | ASX200 | 7,477 | |
| EUR/GBP | 0.8813 | 0.0010 | 0.0030 | 0.0054 | 0.0099 | Dow Jones | 33,956 | |
| | | | | | | S&P 500 | 4,054 | |
| | | | | | | FTSE100 | 7,772 | |
| | | | | | | DAX 30 | 15,128 | |
| | | | | | | Nikkei | 27,327 | |
| | | | | | | COMMODITIES | | |
| | | | | | | | USD | |
| | | | | | | Brent Crude | 84.47 | |
| | | | | | | Gold | 1,929.72 | |
| | | | | | | Silver | 23.71 | |
| | | | | | | Iron Ore | 123.08 | |
| | | | | | | CRB Index | 298.90 | |
| | | | | | | | NZD | |
| | | | | | | NZ Carbon | 72.50 | |

| INTEREST RATES | New Zealand | | Australia |
|-------------------|-------------|--|-----------|
| | Mid | | Mid |
| 30 day bank bills | 4.54% | | 3.23% |
| 90 day bank bills | 4.95% | | 3.42% |
| 1 year swap | 5.35% | | 3.65% |
| 2 year swap | 4.99% | | 3.66% |
| 3 year swap | 4.62% | | 3.60% |
| 5 year swap | 4.32% | | 3.60% |
| 10 year swap | 4.27% | | 3.93% |
| 3 year Govt bond | 4.39% | | 3.21% |
| 5 year Govt bond | 4.14% | | 3.31% |
| 10 year Govt bond | 4.21% | | 3.64% |

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