

Market Alert

Thursday 2 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6433	-0.0001
NZD/AUD	0.9107	-0.0061
NZD/JPY	83.23	-2.13
NZD/EUR	0.5893	-0.0060
NZD/GBP	0.5228	-0.0021
NZD/CNH	4.3404	-0.0517
AUD/USD	0.7064	0.0046
AUD/EUR	0.6470	-0.0024
EUR/USD	1.0914	0.0109
USD/CNH	6.7482	-0.0796
GBP/USD	1.2300	0.0042
EUR/GBP	0.8871	0.0053

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.92%	3.39%
2 year swap	4.90%	3.68%
10 year Govt	4.21%	3.65%

The FOMC sticks to its guns!

Taking the recent round of poor data into account, the Federal Reserve hiked the cash rate 25bps to bring the range to 4.50%-4.75%. The committee retained the sentence, *"the Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2.0% over time."* And, as we know, *"in determining the extent of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments."*

Post meeting, but ahead of the press conference, equity markets remained in negative territory. The T-bond went into the announcement 4bps lower at 3.47%, and firmed immediately after to 3.49%, while the DXY firmed a touch which saw the NZD, AUD, and EUR ease off slightly.

And the best of the rest ...

US PMI manufacturing activity contracted in January for the third consecutive month falling to 47.4, below market forecast at 48. Meanwhile, the number of job openings in the US increased to 11.0 million in December, the most in 5 months and above market expectations of 10.25 million, while the ADP report showed private sector employment increased by 106k jobs in January with annual pay up 7.3% on the year. Finally, the Atlanta Fed GDPNow estimate for Q1 GDP was unchanged at 0.7%.

Ahead of the ECB tomorrow, Euro-zone inflation slowed more than expected to 8.5% in January from December's 9.2%. Energy prices fell -17.2% although food prices rose 14.1% with the core steady at 5.2% while, on the month, consumer prices fell -0.4%

UK house prices posted their longest run of declines since the GFC as the average home costs fell -0.6% in January following on from December's -0.3%, while store prices rose 8% in January as food prices extended 13.8%.

Chinese Caixin manufacturing PMIs edged up to 49.2 in January from December's 3-month low of 49.0, although it was below the 49.5 expected.

The NZ labour market remains robust, but cracks are starting to appear after the unemployment rate increased to 3.4% from 3.3% as fewer people joined the workforce than anticipated. While wage growth was mixed, there has been an easing in job ads, monthly jobs filled, and employment intentions, which has contributed to the 50bps call. One of the local banks now expects the RBNZ cash rate to peak at 5.0% rather than their previous 5.50%. Meanwhile, NZ PM Chris Hipkins confirmed today that his government would extend its 25 cent petrol tax cut and half-price public transport until 30-June, while Finance Minister Grant Robertson added, *"inflation has not fallen significantly."*

RBA's Marion Kohler, Head of Economic Analysis Department, announced, *"the Bank believes inflation peaked in Q4 2022"* before adding, *"fiscal policy not a function of the RBA, but the Bank does take it into account."* Meanwhile, the final January manufacturing PMIs saw an upgraded to 50.0 from 49.8.

Norway's gigantic sovereign wealth fund recorded a USD164 billion loss, down -14.1%, citing a *"very unusual"* year.

After Gisele Bündchen left him because he wouldn't retire from football, Tom Brady announced he's retiring from football ... again!



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Daily Rates

Thursday 2 February 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.80					CAD	0.8594	0.9436
NZD/USD	0.6433	0.0002	0.0002	-0.0001	0.0001	CHF	0.5893	0.6473
NZD/AUD	0.9107	-0.0008	-0.0028	-0.0061	-0.0118	CNY	4.3440	4.7723
NZD/JPY	83.23	-0.29	-1.06	-2.13	-4.39	DKK	4.3837	4.8137
NZD/EUR	0.5893	-0.0009	-0.0030	-0.0060	-0.0119	FJD	1.3722	1.5068
NZD/GBP	0.5228	-0.0002	-0.0009	-0.0021	-0.0048	HKD	5.0445	5.5393
						KRW	790.23	867.74
AU TWI	62.60					MYR	2.7424	3.0114
AUD/USD	0.6813	0.0008	0.0024	0.0046	0.0076	NOK	6.4353	7.0665
AUD/NZD	0.6535	0.0007	0.0032	0.0070	0.0132	SEK	6.7089	7.3670
AUD/JPY	91.38	-0.25	-0.87	-1.74	-3.77	SGD	0.8445	0.9273
AUD/EUR	0.6470	-0.0005	-0.0014	-0.0024	-0.0050	TWD	19.19	21.07
AUD/GBP	0.5741	0.0003	0.0008	0.0015	0.0021	ZAR	11.04	12.12
USD Index	101.79					EQUITIES		
EUR/USD	1.0914	0.0019	0.0058	0.0109	0.0196		Index	
USD/JPY	129.34	-0.49	-1.68	-3.28	-6.61	NZX50	12,091	
GBP/USD	1.2300	0.0007	0.0022	0.0042	0.0082	ASX200	7,502	
EUR/GBP	0.8871	0.0010	0.0029	0.0053	0.0095	Dow Jones	33,787	
						S&P 500	4,060	
						FTSE100	7,761	
						DAX 30	15,181	
						Nikkei	27,347	
INTEREST RATES			New Zealand		Australia			
			Mid		Mid			
30 day bank bills			4.56%		3.25%			
90 day bank bills			4.92%		3.39%			
1 year swap			5.27%		3.72%			
2 year swap			4.90%		3.68%			
3 year swap			4.54%		3.60%			
5 year swap			4.26%		3.62%			
10 year swap			4.25%		3.96%			
3 year Govt bond			4.32%		3.22%			
5 year Govt bond			4.10%		3.32%			
10 year Govt bond			4.21%		3.65%			
						COMMODITIES		
							USD	
						Brent Crude	82.80	
						Gold	1,925.78	
						Silver	23.46	
						Iron Ore	128.78	
						CRB Index	302.92	
							NZD	
						NZ Carbon	72.00	

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