

Market Alert

Tuesday 7 February 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6305	0.0003
NZD/AUD	0.9147	-0.0061
NZD/JPY	83.51	-2.10
NZD/EUR	0.5873	-0.0058
NZD/GBP	0.5237	-0.0020
NZD/CNH	4.2880	-0.0518
AUD/USD	0.6891	0.0049
AUD/EUR	0.6419	-0.0021
EUR/USD	1.0731	0.0108
USD/CNH	6.8023	-0.0855
GBP/USD	1.2032	0.0046
EUR/GBP	0.8915	0.0052

INT RATES	NZ	Australia
OCR/Cash	4.25%	3.10%
90 day bills	4.92%	3.41%
2 year swap	4.69%	3.64%
10 year Govt	3.96%	3.55%

The implications of a red hot labour market

First day of the working week for those in New Zealand I suspect there will be a few gasps as traders turn on their screens!

Friday's US employment report certainly threw a few financial forecasters under the economic bus after 517,000 workers were added to the workforce while the 2H 2022 payroll numbers were also revised higher. This saw the US unemployment rate fall to its lowest level since 1969, at 3.4%, while aggregate weekly hours also grew.

This surge in workers highlights the simple fact that US employers are desperate to grow their workforce, despite multi-month falls in manufacturing production, suggesting US rates may need to remain higher for longer ... as those pesky central bankers keep reminding us!

International equity markets have retreated from their overbought levels, while Treasuries are also taking a hit following the best start to a year for cross-asset returns since 1987. The US 10-year treasury gained 13bps from Friday's antipodean close, the US-dollar has surged strongly reaching a 4-week high which saw the NZD, AUD, and EUR fall back to levels last seen in early January. While the NZD/USD and AUD/USD are still within their wider ranges, they are approaching key-support levels with further moves driven by USD sentiment. There are now 3-key factors driving the US-dollar sentiment, Friday's strong employment report, US-Chinese political tensions following the shooting down of the Chinese balloon, and thirdly, the pending announcement of the new BoJ Governor.

The best of the rest

The JPY weakened after reports emerged the Japanese Government has approached Deputy Governor Masayoshi Amamiya to succeed Haruhiko Kuroda as head of the central bank, with the underlying implication being a continuation of the existing policies.

Higher European interest rates are starting to impact after Euro-zone retail sales declined -2.7% in December to record the index's biggest fall since April of 2021, after a 1.2% rise in November. Meanwhile, German factory orders grew by 3.2% ahead of forecast at 2.0%.

We are starting to see some political spin start to emerge around the US-debt ceiling, and with discussion on raising the debt ceiling an "absolute nonstarter," IMF head Kristalina Georgieva advised the impact of last year's inflation would pale in comparison with the pain consumers would feel should the US default while Janet Yellen announced not raising the debt limit would "produce an economic and financial catastrophe." Peaking of the US, as if taking on the Chinese wasn't challenging enough, word on the street is the US are also looking to ramp up the political pressure on Russia by imposing a 200% tariff on Russian-made aluminum!

This week's highlights.

Will undoubtedly involve speeches given by various Fed members, as most of the US data this week is 2nd tier, which puts Australia in the driving seat with today's RBA meeting and their quarterly update on Friday's minutes. We also have the NZ GDT auction tonight, and UK GDP and Chinese CPI and PPI on Friday.

Our thoughts and prayers go out to those impacted by the 2 massive earthquakes along the Turkey-Syria border.



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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	72.00					CAD	0.8466	0.9255
NZD/USD	0.6305	0.0001	0.0003	0.0003	-0.0010	CHF	0.5845	0.6389
NZD/AUD	0.9147	-0.0008	-0.0028	-0.0061	-0.0119	CNY	4.2607	4.6582
NZD/JPY	83.51	-0.30	-0.99	-2.10	-4.33	DKK	4.3708	4.7770
NZD/EUR	0.5873	-0.0009	-0.0029	-0.0058	-0.0115	FJD	1.3632	1.4899
NZD/GBP	0.5237	-0.0002	-0.0008	-0.0020	-0.0044	HKD	4.9467	5.4065
						KRW	794.79	868.66
AU TWI	61.90					MYR	2.6834	2.9328
AUD/USD	0.6891	0.0007	0.0023	0.0049	0.0089	NOK	6.5146	7.1200
AUD/NZD	1.0928	0.0008	0.0032	0.0068	0.0127	SEK	6.6895	7.3111
AUD/JPY	91.30	-0.25	-0.82	-1.72	-3.64	SGD	0.8365	0.9143
AUD/EUR	0.6419	-0.0004	-0.0013	-0.0021	-0.0045	TWD	18.93	20.68
AUD/GBP	0.5724	0.0003	0.0008	0.0016	0.0021	ZAR	11.12	12.15
USD Index	103.54					EQUITIES		
EUR/USD	1.0731	0.0018	0.0056	0.0108	0.0210		Index	
USD/JPY	132.45	-0.50	-1.63	-3.40	-7.03	NZX50	12,197	
GBP/USD	1.2032	0.0006	0.0021	0.0046	0.0103	ASX200	7,539	
EUR/GBP	0.8915	0.0010	0.0028	0.0052	0.0092	Dow Jones	33,919	
						S&P 500	4,119	
INTEREST RATES			New Zealand		Australia	FTSE100	7,837	
			Mid		Mid	DAX 30	15,346	
30 day bank bills			4.57%		3.28%	Nikkei	27,694	
90 day bank bills			4.92%		3.41%	COMMODITIES		
1 year swap			5.16%		3.70%		USD	
2 year swap			4.69%		3.64%	Brent Crude	80.89	
3 year swap			4.33%		3.51%	Gold	1,869.48	
5 year swap			4.06%		3.51%	Silver	22.28	
10 year swap			4.02%		3.85%	Iron Ore	125.26	
3 year Govt bond			4.11%		3.12%	CRB Index	290.08	
5 year Govt bond			3.86%		3.21%		NZD	
10 year Govt bond			3.96%		3.55%	NZ Carbon	72.67	

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