

Market Alert

Friday 28 April 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6143	-0.0008
NZD/AUD	0.9291	-0.0081
NZD/JPY	82.27	-2.37
NZD/EUR	0.5573	-0.0058
NZD/GBP	0.4916	-0.0020
NZD/CNH	4.2577	-0.0687
AUD/USD	0.6629	0.0049
AUD/EUR	0.6012	-0.0011
EUR/USD	1.1023	0.0100
USD/CNH	6.9302	-0.1025
GBP/USD	1.2491	0.0029
EUR/GBP	0.8823	0.0056

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.60%
90 day bills	5.57%	3.71%
2 year swap	4.96%	3.60%
10 year Govt	4.14%	3.46%

Great news ... the US is slowing!

US growth slowed sharply in Q1 2023 to an annualized 1.1%, which was a considerable slowing from Q4 2022's 2.6% expansion and below market expectations of 2.0%. The slowdown was attributed to tepid business investment and a pullback in inventories, although consumer spending accelerated. Looking at inflation, the GDP price index increased from 3.9% to 4.0% while core PCE also jumped from 4.4% to 4.9% on the quarter.

The stronger than expected inflationary elements in the report saw yields and the USD rally, although US equity markets also had a strong session as upbeat corporate results offset concerns about a Fed-induced economic slowdown.

Currently the 2-year and 10-year treasuries are 17bps and 8bps higher yielding 4.10% and 3.53%, while US equity markets are 1.75%-2.75% higher. The NZD and AUD joined the USD firming 0.40%-0.50%.

In other releases, US initial jobless claims fell by 16k to 230k, the US 30-year mortgage rate increased to 6.43%, and Euro-zone economic sentiment flatlined at 99.3.

Today is BoJ day and Governor Ueda's first meeting. The general view is that he will leave their policy levers unchanged although there are murmurings, he may announce a formal policy review of their YCC strategy, which would 'open-the-door' to a possible YCC change in June.

Following on from Wednesday's NZ trade deficit, Australia announced another surplus after exports prices rose 1.6% on the quarter while imports fell 4.2%! At least NZ business activity is improving ... from -8.5% to -7.6%, although business confidence fell to -43.8% from -43.4%. Strewth ... lets just dig a hole in the ground and sell whatever we find!

ECB and Cypriot bank chief Constantinos Herodotou announced, "*We are beginning to see the first signs of the impact (of the rate hikes) on the real economy. It's already been seen in the headline inflation, although core inflation is sticky. Financial-market tensions may have an additional impact on financing conditions, in addition to our monetary policy, so we need to gauge that.*"

The US House has passed a bill to raise the US debt ceiling and cut government spending, which is a 'win' for the Republicans, although this is just the first shot of a long process that still has to go. Goldmans has suggested the 'drop-dead-date' for raising the debt limit is late July while BlackRock has been buying up US Treasuries in anticipation of economic slowdown and a stand-off over US debt level announcing, "*If you go through a debt ceiling crisis, it's a global crisis ... and the flight to quality ends up being in US Treasuries. If the US defaults, it will be a short-term default, so it makes sense to have some more interest rate exposure.*"

The WSJ suggests China's new espionage law will likely discourage foreign capital inflows, while Chinese industrial profits fell 21% year on year in Q1 as a pickup in factory production failed to offset declines in prices.

Get Yuan!

One what? One Chinese Yuan for sure because according to Reuters, the Yuan has overtaken the USD to become most-used currency in China's cross-border transactions with the yuan used in 48.4% of all cross-border transactions while the dollar's share declined to 46.7%. Furthermore, Argentina has joined Brazil in announcing it will pay for Chinese imports in Yuan(s) instead of dollars!



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Daily Rates

Friday 28 April 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.10					CAD	0.8350	0.9011
NZD/USD	0.6143	-0.0001	-0.0003	-0.0008	-0.0031	CHF	0.5492	0.5928
NZD/AUD	0.9291	-0.0014	-0.0041	-0.0081	-0.0159	CNY	4.2470	4.5823
NZD/JPY	82.27	-0.39	-1.18	-2.37	-4.67	DKK	4.1532	4.4817
NZD/EUR	0.5573	-0.0011	-0.0032	-0.0058	-0.0112	FJD	1.3457	1.4521
NZD/GBP	0.4916	-0.0004	-0.0012	-0.0020	-0.0033	HKD	4.8220	5.2035
						KRW	823.82	889.00
AU TWI	59.90					MYR	2.7398	2.9565
AUD/USD	0.6629	0.0009	0.0025	0.0049	0.0069	NOK	6.5205	7.0364
AUD/NZD	1.0788	0.0015	0.0046	0.0091	0.0158	SEK	6.3207	6.8208
AUD/JPY	88.77	-0.29	-0.90	-1.82	-3.69	SGD	0.8199	0.8848
AUD/EUR	0.6012	-0.0003	-0.0008	-0.0011	-0.0027	TWD	18.86	20.35
AUD/GBP	0.5305	0.0003	0.0011	0.0025	0.0048	ZAR	11.23	12.12
USD Index	101.51					EQUITIES		
EUR/USD	1.1023	0.0019	0.0054	0.0100	0.0168		Index	
USD/JPY	133.89	-0.61	-1.85	-3.68	-6.95	NZX50	11,918	
GBP/USD	1.2491	0.0008	0.0021	0.0029	0.0018	ASX200	7,293	
EUR/GBP	0.8823	0.0009	0.0027	0.0056	0.0119	Dow Jones	33,826	
						S&P 500	4,136	
INTEREST RATES			New Zealand		Australia	FTSE100	7,832	
			Mid		Mid	DAX 30	15,800	
30 day bank bills			5.43%		3.66%	Nikkei	28,458	
90 day bank bills			5.57%		3.71%	COMMODITIES		
1 year swap			5.54%		3.60%		USD	
2 year swap			4.96%		3.60%	Brent Crude	78.35	
3 year swap			4.57%		3.50%	Gold	1,988.18	
5 year swap			4.23%		3.37%	Silver	24.93	
10 year swap			4.13%		3.73%	Iron Ore	116.71	
3 year Govt bond			4.27%		3.04%	CRB Index	292.23	
5 year Govt bond			4.07%		3.12%		NZD	
10 year Govt bond			4.14%		3.46%	NZ Carbon	58.50	

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