

Market Alert

Friday 12 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6302	-0.0012
NZD/AUD	0.9402	-0.0076
NZD/JPY	84.78	-2.48
NZD/EUR	0.5771	-0.0063
NZD/GBP	0.5036	-0.0021
NZD/CNH	4.3846	-0.0713
AUD/USD	0.6701	0.0041
AUD/EUR	0.6137	-0.0019
EUR/USD	1.0915	0.0097
USD/CNH	6.9584	-0.1001
GBP/USD	1.2512	0.0027
EUR/GBP	0.8724	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.64%	3.92%
2 year swap	5.03%	3.51%
10 year Govt	4.20%	3.48%

That is optimistic!

The BoE predictably raised their benchmark interest rate for a 12th consecutive time by 25bps to 4.50%, lifting borrowing costs to their highest levels since 2008. Post the meeting, BOE Governor Andrew Bailey announced, "We are approaching the point when we should be able to pause," given the central bank is forecasting inflation to fall to 5.1% by Q4 and to its 2.0% target by late 2024, although markets aren't as positive given inflation is at 10.1%!

In the US, producer prices increased 0.2% on the month and 2.3% on the year, against forecasts at 0.3% and 2.5%. In a further positive, initial claims rose by 22k to 264k, its highest gain since October 2021 and above forecasts at 245k, while the Atlanta Fed April wage tracker

dipped to 6.1% from 6.4%. Fed member Neel Kashkari also announced, that while "Inflation has come down, is still above target," before adding, "It's conceivable that once we get inflation down to 2%, we could have a conversation about changing the target."

But there is one place in the world where inflation isn't an issue ...

... China ... although the fact it is plummeting so quickly could become an issue in itself after the annual inflation rate eased to its lowest level in more than 2-years falling to 0.1% from March's 0.7%, while producer prices plunged -3.6% in the year to April from -2.5%, which was a lot worse than forecasts at -3.2%.

At the other end of the scale, NZ food prices increased from 0.4% in March to 0.5% in April, while Australian household inflation expectations increased from 4.6% to 5.0% in May.

After Euro-zone inflation expectations rose from 4.6% to 5.0% for the next 12-months, climbing to 2.9% from 2.4% for 3-years, ECB officials suggested interest-rate increases may need to continue increasing into September with ECB member Martins Kazaks suggesting investors shouldn't assume ECB tightening will stop in July, Joachim Nagel added "nothing's off the table as inflation is still very sticky, (it's) a very stubborn phenomenon," while Luis de Guindos added, "Inflation will undoubtedly fall although I am worried about core inflation and services."

WSJ Fed insider, Nick Timiraos, wrote, "Fed officials were already leaning toward taking a summer vacation from interest rate increases to see if they have done enough to slow the economy and inflation. Wednesday's inflation report makes that easier because it showed price pressures aren't worsening and might soon be slowing."

In the most predictable comment from a bank CEO ever, on the recent US banking crisis, JPMorgan's Jamie Dimon said, "I think it's going to get worse for banks – more regulations, more rules, and more requirements," before calling for a probe into the short-selling of bank stocks! Meanwhile, PacWest shares slumped after saying deposits fell 9.5% last week! Also, keep an eye out for the name Carl Icahn, he could be the next equity market guru to implode!

Interestingly, with equity and bond markets broadly flat, most of the focus reverted to the FX markets where the AUD and NZD fell strongly after hitting key resistance levels with both falling around -1.0% against the USD. The EUR/USD also fell, although it 'only' eased -0.5%. For the record, the 2-year US yield firmed 1bps while the 10-year yields eased -5bps to 3.39%. Commodities also closed lower.

And for all my Kiwi and Aussie cockneys ... go the Happy Hammers!



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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	72.40					CAD	0.8502 0.9039
NZD/USD	0.6302	-0.0001	-0.0003	-0.0012	-0.0046	CHF	0.5633 0.5991
NZD/AUD	0.9402	-0.0012	-0.0037	-0.0076	-0.0158	CNY	4.3737 4.6494
NZD/JPY	84.78	-0.40	-1.23	-2.48	-4.86	DKK	4.2990 4.5712
NZD/EUR	0.5771	-0.0011	-0.0032	-0.0063	-0.0126	FJD	1.3721 1.4590
NZD/GBP	0.5036	-0.0004	-0.0012	-0.0021	-0.0039	HKD	4.9382 5.2509
						KRW	838.53 891.61
AU TWI	61.20					MYR	2.8107 2.9886
AUD/USD	0.6701	0.0008	0.0023	0.0041	0.0053	NOK	6.7254 7.1512
AUD/NZD	1.0633	0.0012	0.0041	0.0083	0.0143	SEK	6.5115 6.9237
AUD/JPY	90.15	-0.32	-0.96	-1.93	-3.98	SGD	0.8389 0.8920
AUD/EUR	0.6137	-0.0004	-0.0010	-0.0019	-0.0050	TWD	19.38 20.61
AUD/GBP	0.5355	0.0003	0.0008	0.0021	0.0032	ZAR	12.08 12.85
USD Index	102.07					EQUITIES	
EUR/USD	1.0915	0.0019	0.0055	0.0097	0.0158		Index
USD/JPY	134.56	-0.63	-1.88	-3.69	-6.80	NZX50	11,888
GBP/USD	1.2512	0.0008	0.0019	0.0027	0.0007	ASX200	7,252
EUR/GBP	0.8724	0.0009	0.0028	0.0058	0.0117	Dow Jones	33,300
						S&P 500	4,126
INTEREST RATES			New Zealand		Australia	FTSE100	7,731
			Mid		Mid	DAX 30	15,835
30 day bank bills			5.53%		3.86%	Nikkei	29,127
90 day bank bills			5.64%		3.92%	COMMODITIES	
1 year swap			5.58%		3.79%		USD
2 year swap			5.03%		3.51%	Brent Crude	75.48
3 year swap			4.65%		3.36%	Gold	2,013.58
5 year swap			4.29%		3.37%	Silver	24.17
10 year swap			4.19%		3.72%	Iron Ore	106.85
3 year Govt bond			4.34%		3.11%	CRB Index	284.83
5 year Govt bond			4.12%		3.14%		NZD
10 year Govt bond			4.20%		3.48%	NZ Carbon	52.00

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