

Market Alert

Monday 15 May 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6188	-0.0009
NZD/AUD	0.9313	-0.0073
NZD/JPY	83.99	-2.44
NZD/EUR	0.5704	-0.0060
NZD/GBP	0.4966	-0.0019
NZD/CNH	4.3688	0.0000
AUD/USD	0.6647	0.0042
AUD/EUR	0.6117	-0.0018
EUR/USD	1.0863	0.0097
USD/CNH	6.9712	0.0000
GBP/USD	1.2451	0.0027
EUR/GBP	0.8709	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.25%	3.85%
90 day bills	5.60%	3.94%
2 year swap	4.89%	3.54%
10 year Govt	4.09%	3.41%

A return to 'risk-off!'

Friday night saw US markets close weaker after the University of Michigan consumer sentiment fell sharply to a 6-month low at 57.7, substantially below expectations at 63.0. Interestingly, while the year-ahead inflation expectation eased to 4.5%, the 5-year outlook increased to 3.2%, which was its highest print since 2011.

We also saw US import prices increase 0.4% in April, while Chicago Fed member Austan Goolsbee announced, "Inflation is still too high but at least it is coming down. Getting vibes that a credit squeeze is beginning weighing how much fed work is being done by tighter credit." On the debt ceiling debacle, the US Treasury had just USD88 billion of leeway left on the 10th May, which was down from

the prior week's USD110 billion, while President Biden added that talks to avert a default are 'moving along' as "there's real discussion about some changes."

As alluded to, US equity markets closed the week in negative territory as concerns around the economy dampened investor sentiment, which saw the NZD and AUD come under selling pressure as they reverted back into the mid-points of their recent ranges. The move was also supported by higher treasury yields as the 2 and 10-yrs gained 8bps and 7bps to close at 4.00% and 3.46% respectively, which will likely see the local interest rate market open higher this morning. Commodity markets closed mixed.

In the UK, the British economy expanded 0.1% in the March quarter 2023, the same as in Q4 and in-line with forecasts, while former BoE MPC member, Michael Saunders, announced, "there's a strong likelihood that inflation will undershoot the BoE's forecast by quite a large margin in April. Interest rates may well have peaked. If they go up, it's only one further hike."

The RBNZ's June quarter inflation expectations data, which is a 'survey' conducted by the RBNZ each quarter, suggests the RBNZ is doing a great job, given the expectation that inflation in 1 year will be at 4.28% and at 2.97% in 2 years, which is lower than its Q1 survey which had forward projections at 5.11% and 3.3% respectively. Encouragingly, BusinessNZ manufacturing PMI increased to 49.1 from 48.1, although still in contractionary territory, while visitor arrivals decreased -2.9% in March.

Morgan Stanley is getting rather confused on its Australian positioning, being bullish on further rate hikes with, "we see the prospect for another 25bp hike at the June or July meetings," although it is bearish on the AUD, "continuing to recommend a short AUD/USD position targeting 0.6200" as "we see continued risks to 'risk sentiment' stemming from the US regional banking sector with a short AUD position."

In saying that, one of the 'Big 4' has a different rates view as "the Budget does not add to inflationary pressures in the economy. As such, we have not changed our forecast profile for inflation or our call on the RBA. Our central scenario puts the current 3.85% as the peak in the cash rate."

Looking ahead

In the US, several Fed officials are due to give speeches this week, while we have data releases for retail trade, IP, and several housing indicators. Elsewhere, investors will also be awaiting the Chinese IP and retail sales releases, Japanese inflation and Q2 GDP, Canadian inflation, and unemployment from the UK, France, and Australia. We also have the ZEW Indicator of Economic Sentiment release from Germany, UK consumer confidence and the RBA minutes. New Zealand highlights will be the PPI, import/export numbers, and the trade balance.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Monday 15 May 2023

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	71.70					CAD	0.8385	0.9003
NZD/USD	0.6188	-0.0001	-0.0002	-0.0009	-0.0037	CHF	0.5557	0.5955
NZD/AUD	0.9313	-0.0012	-0.0036	-0.0073	-0.0142	CNY	4.3057	4.6209
NZD/JPY	83.99	-0.40	-1.20	-2.44	-4.82	DKK	4.2415	4.5561
NZD/EUR	0.5704	-0.0010	-0.0031	-0.0060	-0.0120	FJD	1.3558	1.4564
NZD/GBP	0.4966	-0.0004	-0.0010	-0.0019	-0.0034	HKD	4.8527	5.2126
						KRW	830.68	892.30
AU TWI	60.60					MYR	2.7704	2.9759
AUD/USD	0.6647	0.0008	0.0023	0.0042	0.0054	NOK	6.5756	7.0634
AUD/NZD	1.0723	0.0014	0.0040	0.0081	0.0146	SEK	6.4136	6.8893
AUD/JPY	90.09	-0.32	-0.96	-1.94	-3.89	SGD	0.8277	0.8891
AUD/EUR	0.6117	-0.0004	-0.0010	-0.0018	-0.0038	TWD	19.07	20.49
AUD/GBP	0.5335	0.0002	0.0009	0.0021	0.0043	ZAR	11.81	12.69
USD Index	102.71					EQUITIES		
EUR/USD	1.0863	0.0019	0.0054	0.0097	0.0157		Index	
USD/JPY	135.65	-0.64	-1.89	-3.74	-7.01	NZX50	11,939	
GBP/USD	1.2451	0.0008	0.0020	0.0027	0.0004	ASX200	7,257	
EUR/GBP	0.8709	0.0009	0.0029	0.0058	0.0121	Dow Jones	33,301	
						S&P 500	4,124	
INTEREST RATES			New Zealand		Australia	FTSE100	7,755	
			Mid		Mid	DAX 30	15,914	
30 day bank bills			5.52%		3.86%	Nikkei	29,388	
90 day bank bills			5.60%		3.94%	COMMODITIES		
1 year swap			5.48%		3.83%		USD	
2 year swap			4.89%		3.54%	Brent Crude	74.17	
3 year swap			4.53%		3.38%	Gold	2,011.15	
5 year swap			4.22%		3.35%	Silver	23.91	
10 year swap			4.13%		3.70%	Iron Ore	105.16	
3 year Govt bond			4.21%		3.06%	CRB Index	284.81	
5 year Govt bond			3.99%		3.08%		NZD	
10 year Govt bond			4.09%		3.41%	NZ Carbon	52.50	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED